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BEFORE THE ARIZONA CORPORATION COMMISSION

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IN THE MATTER OF THE APPLICATION OF GOODMAN WATER COMPANY, AN ARIZONA CORPORATION, FOR (i) A DETERMINATION OF THE FAIR VALUE OF ITS UTILITY PLANT AND PROPERTY AND (ii) AN INCREASE IN ITS WATER RATES AND CHARGES FOR UTILITY SERVICE BASED THEREON.

Docket No. W-02500A-10-0382

Arizona Corporation Commission
DOCKETED
MAR 21 2011
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NOTICE OF FILING

The Residential Utility Consumer Office ("RUCO") hereby provides notice of filing the Direct Testimony of William A. Rigsby, CRRA, and Timothy J. Coley in the above-referenced matter.

RESPECTFULLY SUBMITTED this 21st day of March, 2011.

Daniel W. Pozefsky
Chief Counsel

AN ORIGINAL AND THIRTEEN COPIES
of the foregoing filed this 21st day
of March, 2011 with:

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GOODMAN WATER COMPANY

DOCKET NO. W-02500A-10-0382

DIRECT TESTIMONY

OF

WILLIAM A. RIGSBY, CRRA

ON BEHALF OF

THE

RESIDENTIAL UTILITY CONSUMER OFFICE

MARCH 21, 2011

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INTRODUCTION

Q. Please state your name, occupation, and business address.

A. My Name is William A. Rigsby. I am a Public Utilities Analyst V employed by the Residential Utility Consumer Office ("RUCO") located at 1110 W. Washington, Suite 220, Phoenix, Arizona 85007.

Q. Please describe your qualifications in the field of utilities regulation and your educational background.

A. I have been involved with utilities regulation in Arizona since 1994. During that period of time I have worked as a utilities rate analyst for both the Arizona Corporation Commission ("ACC" or "Commission") and for RUCO. I hold a Bachelor of Science degree in the field of finance from Arizona State University and a Master of Business Administration degree, with an emphasis in accounting, from the University of Phoenix. I have been awarded the professional designation, Certified Rate of Return Analyst ("CRRA") by the Society of Utility and Regulatory Financial Analysts ("SURFA"). The CRRA designation is awarded based upon experience and the successful completion of a written examination. Appendix I, which is attached to my direct testimony further describes my educational background and also includes a list of the rate cases and regulatory matters that I have been involved with.

Q. What is the purpose of your testimony?

A. The purpose of my testimony is to present recommendations based on my analysis of Goodman Water Company's ("GWC" or the "Company") application for a permanent change in rates. GWC filed its application with the Arizona Corporation Commission (ACC or Commission) on September 17, 2010. The Company has chosen the operating period ended December 31, 2009 for the test year ("Test Year") in this proceeding. GWC has elected not to perform a reconstruction cost new less depreciation study and is proposing that its original cost rate base be treated as its fair value rate base for ratemaking purposes. Therefore there is no need to perform a separate analysis to determine a fair value rate of return on a fair value rate base.

Q. Briefly describe GWC.

A. GWC is a closely held Arizona C corporation. During the Test Year, the Company provided water utility service to approximately 623 customers of which 612, or 98.2 percent, were residential customers. GWC serves a development known as Eagle Crest Ranch, which is located in an unincorporated area of Pinal County, two miles south of Oracle Junction on State Highway 77 or approximately 22 miles north of downtown Tucson. The Company's present rates were established in Decision No. 69404, dated April 16, 2007 (RUCO was not an intervenor in the proceeding).

Q. Please explain your role in RUCO's analysis of GWC's Application.

A. I reviewed GWC's Application and performed a cost of capital analysis to determine a fair rate of return on the Company's invested capital. In addition to my recommended capital structure, my direct testimony will present my recommended cost of common equity (the Company has no preferred stock) and my recommended cost of long-term debt. The recommendations contained in this testimony are based on information obtained from Company responses to data requests, GWC's Application, and from market-based research that I conducted during my analysis.

Q. Were you also responsible for RUCO's recommendations on required revenue, rate base or rate design?

A. No. Those aspects of the case were handled by RUCO witness Timothy J. Coley and will be addressed in his direct testimony.

Q. What areas will you address in your testimony?

A. I will address the cost of capital issues associated with the case.

Q. Please identify the exhibits that you are sponsoring.

A. I am sponsoring Schedules WAR-1 through WAR-9.

SUMMARY OF TESTIMONY AND RECOMMENDATIONS

Q. Briefly summarize how your cost of capital testimony is organized.

A. My cost of capital testimony is organized into six sections. First, the introduction I have just presented and second, a summary of my testimony that I am about to give. Third, I will present the findings of my cost of equity capital analysis, which utilized both the discounted cash flow ("DCF") method, and the capital asset pricing model ("CAPM"). These are the two methods that RUCO and ACC Staff have consistently used for calculating the cost of equity capital in rate case proceedings in the past, and are the methodologies that the ACC has given the most weight to in setting allowed rates of return for utilities that operate in the Arizona jurisdiction. In this third section I will also provide a brief overview of the current economic climate within which the Company is operating. Fourth, I will discuss my recommended capital structure, my recommended cost of long-term debt and my recommended weighted average cost of capital. Sixth, I will comment on the Company's cost of capital testimony. Schedules WAR-1 through WAR-9 will provide support for my cost of capital analysis.

Q. Please summarize the recommendations and adjustments that you will address in your testimony.

A. Based on the results of my analysis, I am making the following recommendations:

Cost of Equity Capital – I am recommending a 9.00 percent cost of equity capital. This 9.00 percent figure falls on the high side of the range of results that I obtained in my cost of equity analysis, which employed both the DCF and CAPM methodologies. My 9.00 percent cost of equity capital is 200 basis points lower than the 11.00 percent cost of equity capital being proposed by the Company and is 287 basis points higher than my recommended cost of debt.

Capital Structure – I am recommending that the Commission adopt a hypothetical capital structure comprised of 60.00 percent common equity and 40.00 percent long-term debt as opposed to the Company-proposed capital structure which is comprised of approximately 82.00 percent common equity and 18.00 percent long-term debt.

Cost of Debt – I am recommending that the Commission adopt a hypothetical cost of debt of 6.13 percent, which is 237 basis points lower than the company-proposed 8.50 percent cost of debt and 5 basis points higher than the current yield on a Baa/BBB-rated utility bond.

Weighted Average Cost of Capital – Based on the results of my recommended capital structure, I am recommending a 7.85 percent cost of capital for GWC, which is the weighted cost of my recommended costs of common equity and debt. My recommended weighted average cost of

capital is 269 basis points lower than the 10.54 percent weighted average cost of capital being proposed by the Company.

Q Why do you believe that RUCO's recommended 7.85 percent weighted average cost of capital is an appropriate rate of return for the Company to earn on its invested capital?

A. The 7.85 percent weighted average cost of capital figure that I am recommending meets the criteria established in the landmark Supreme Court cases of Bluefield Water Works & Improvement Co. v. Public Service Commission of West Virginia (262 U.S. 679, 1923) and Federal Power Commission v. Hope Natural Gas Company (320 U.S. 391, 1944). Simply stated, these two cases affirmed that a public utility that is efficiently and economically managed is entitled to a return on investment that instills confidence in its financial soundness, allows the utility to attract capital, and also allows the utility to perform its duty to provide service to ratepayers. The rate of return adopted for the utility should also be comparable to a return that investors would expect to receive from investments with similar risk.

The Hope decision allows for the rate of return to cover both the operating expenses and the "capital costs of the business" which includes interest on debt and dividend payment to shareholders. This is predicated on the belief that, in the long run, a company that cannot meet its debt obligations

and provide its shareholders with an adequate rate of return will not continue to supply adequate public utility service to ratepayers.

Q. Do the Bluefield and Hope decisions indicate that a rate of return sufficient to cover all operating and capital costs is guaranteed?

A. No. Neither case *guarantees* a rate of return on utility investment. What the Bluefield and Hope decisions *do allow*, is for a utility to be provided with the *opportunity* to earn a reasonable rate of return on its investment. That is to say that a utility, such as BVWC, is provided with the opportunity to earn an appropriate rate of return if the Company's management exercises good judgment and manages its assets and resources in a manner that is both prudent and economically efficient.

COST OF EQUITY CAPITAL

Q. What is your final recommended cost of equity capital for BVWC?

A. I am recommending a cost of equity of 9.00 percent. My recommended 9.00 percent cost of equity figure falls on the high side of the range of results derived from my DCF and CAPM analyses, which utilized a sample of publicly traded water providers and a sample of natural gas local distribution companies ("LDC"). The results of my DCF and CAPM analyses are summarized on page 3 of my Schedule WAR-1.

Discounted Cash Flow (DCF) Method

Q. Please explain the DCF method that you used to estimate the Company's cost of equity capital.

A. The DCF method employs a stock valuation model known as the constant growth valuation model, that bears the name of Dr. Myron J. Gordon (i.e. the Gordon model), the professor of finance who was responsible for its development. Simply stated, the DCF model is based on the premise that the current price of a given share of common stock is determined by the present value of all of the future cash flows that will be generated by that share of common stock. The rate that is used to discount these cash flows back to their present value is often referred to as the investor's cost of capital (i.e. the cost at which an investor is willing to forego other investments in favor of the one that he or she has chosen).

Another way of looking at the investor's cost of capital is to consider it from the standpoint of a company that is offering its shares of stock to the investing public. In order to raise capital, through the sale of common stock, a company must provide a required rate of return on its stock that will attract investors to commit funds to that particular investment. In this respect, the terms "cost of capital" and "investor's required return" are one in the same. For common stock, this required return is a function of the dividend that is paid on the stock. The investor's required rate of return can be expressed as the percentage of the dividend that is paid on the

stock (dividend yield) plus an expected rate of future dividend growth. This is illustrated in mathematical terms by the following formula:

$$k = \frac{D_1}{P_0} + g$$

where: k = the required return (cost of equity, equity capitalization rate),

$\frac{D_1}{P_0}$ = the dividend yield of a given share of stock calculated by dividing the expected dividend by the current market price of the given share of stock, and

g = the expected rate of future dividend growth

This formula is the basis for the standard growth valuation model that I used to determine the Company's cost of equity capital.

Q. In determining the rate of future dividend growth for the Company, what assumptions did you make?

A. There are two primary assumptions regarding dividend growth that must be made when using the DCF method. First, dividends will grow by a constant rate into perpetuity, and second, the dividend payout ratio will remain at a constant rate. Both of these assumptions are predicated on the traditional DCF model's basic underlying assumption that a company's earnings, dividends, book value and share growth all increase at the same constant rate of growth into infinity. Given these assumptions, if the

dividend payout ratio remains constant, so does the earnings retention ratio (the percentage of earnings that are retained by the company as opposed to being paid out in dividends). This being the case, a company's dividend growth can be measured by multiplying its retention ratio (1 - dividend payout ratio) by its book return on equity. This can be stated as g = b x r.

Q. Would you please provide an example that will illustrate the relationship that earnings, the dividend payout ratio and book value have with dividend growth?

A. RUCO consultant Stephen Hill illustrated this relationship in a Citizens Utilities Company 1993 rate case by using a hypothetical utility.[1]

Table I

	Year 1	Year 2	Year 3	Year 4	Year 5	Growth
Book Value	$10.00	$10.40	$10.82	$11.25	$11.70	4.00%
Equity Return	10%	10%	10%	10%	10%	N/A
Earnings/Sh.	$1.00	$1.04	$1.082	$1.125	$1.170	4.00%
Payout Ratio	0.60	0.60	0.60	0.60	0.60	N/A
Dividend/Sh	$0.60	$0.624	$0.649	$0.675	$0.702	4.00%

Table I of Mr. Hill's illustration presents data for a five-year period on his hypothetical utility. In Year 1, the utility had a common equity or book value of $10.00 per share, an investor-expected equity return of ten

[1] Citizens Utilities Company, Arizona Gas Division, Docket No. E-1032-93-111, Prepared Testimony, dated December 10, 1993, p. 25.

percent, and a dividend payout ratio of sixty percent. This results in earnings per share of $1.00 ($10.00 book value x 10 percent equity return) and a dividend of $0.60 ($1.00 earnings/sh. x 0.60 payout ratio) during Year 1. Because forty percent (1 - 0.60 payout ratio) of the utility's earnings are retained as opposed to being paid out to investors, book value increases to $10.40 in Year 2 of Mr. Hill's illustration. Table I presents the results of this continuing scenario over the remaining five-year period.

The results displayed in Table I demonstrate that under "steady-state" (i.e. constant) conditions, book value, earnings and dividends all grow at the same constant rate. The table further illustrates that the dividend growth rate, as discussed earlier, is a function of (1) the internally generated funds or earnings that are retained by a company to become new equity, and (2) the return that an investor earns on that new equity. The DCF dividend growth rate, expressed as g = b x r, is also referred to as the internal or sustainable growth rate.

Q. If earnings and dividends both grow at the same rate as book value, shouldn't that rate be the sole factor in determining the DCF growth rate?

A. No. Possible changes in the expected rate of return on either common equity or the dividend payout ratio make earnings and dividend growth by

themselves unreliable. This can be seen in the continuation of Mr. Hill's illustration on a hypothetical utility.

Table II

	Year 1	Year 2	Year 3	Year 4	Year 5	Growth
Book Value	$10.00	$10.40	$10.82	$11.47	$12.158	5.00%
Equity Return	10%	10%	15%	15%	15%	10.67%
Earnings/Sh	$1.00	$1.04	$1.623	$1.720	$1.824	16.20%
Payout Ratio	0.60	0.60	0.60	0.60	0.60	N/A
Dividend/Sh	$0.60	$0.624	$0.974	$1.032	$1.094	16.20%

In the example displayed in Table II, a sustainable growth rate of four percent[2] exists in Year 1 and Year 2 (as in the prior example). In Year 3, Year 4 and Year 5, however, the sustainable growth rate increases to six percent.[3] If the hypothetical utility in Mr. Hill's illustration were expected to earn a fifteen-percent return on common equity on a continuing basis, then a six percent long-term rate of growth would be reasonable. However, the compound growth rate for earnings and dividends, displayed in the last column, is 16.20 percent. If this rate was to be used in the DCF model, the utility's return on common equity would be expected to increase by fifty percent every five years, [(15 percent ÷ 10 percent) – 1]. This is clearly an unrealistic expectation.

[2] [(Year 2 Earnings/Sh – Year 1 Earnings/Sh) ÷ Year 1 Earnings/Sh] = [($1.04 - $1.00) ÷ $1.00] = [$0.04 ÷ $1.00] = 4.00%

[3] [(1 – Payout Ratio) x Rate of Return] = [(1 - 0.60) x 15.00%] = 0.40 x 15.00% = 6.00%

Although it is not illustrated in Mr. Hill's hypothetical example, a change in only the dividend payout ratio will eventually result in a utility paying out more in dividends than it earns. While it is not uncommon for a utility in the real world to have a dividend payout ratio that exceeds one hundred percent on occasion, it would be unrealistic to expect the practice to continue over a sustained long-term period of time.

Q. Other than the retention of internally generated funds, as illustrated in Mr. Hill's hypothetical example, are there any other sources of new equity capital that can influence an investor's growth expectations for a given company?

A. Yes, a company can raise new equity capital externally. The best example of external funding would be the sale of new shares of common stock. This would create additional equity for the issuer and is often the case with utilities that are either in the process of acquiring smaller systems or providing service to rapidly growing areas.

Q. How does external equity financing influence the growth expectations held by investors?

A. Rational investors will put their available funds into investments that will either meet or exceed their given cost of capital (i.e. the return earned on their investment). In the case of a utility, the book value of a company's stock usually mirrors the equity portion of its rate base (the utility's earning

base). Because regulators allow utilities the opportunity to earn a reasonable rate of return on rate base, an investor would take into consideration the effect that a change in book value would have on the rate of return that he or she would expect the utility to earn. If an investor believes that a utility's book value (i.e. the utility's earning base) will increase, then he or she would expect the return on the utility's common stock to increase. If this positive trend in book value continues over an extended period of time, an investor would have a reasonable expectation for sustained long-term growth.

Q. Please provide an example of how external financing affects a utility's book value of equity.

A. As I explained earlier, one way that a utility can increase its equity is by selling new shares of common stock on the open market. If these new shares are purchased at prices that are higher than those shares sold previously, the utility's book value per share will increase in value. This would increase both the earnings base of the utility and the earnings expectations of investors. However, if new shares sold at a price below the pre-sale book value per share, the after-sale book value per share declines in value. If this downward trend continues over time, investors might view this as a decline in the utility's sustainable growth rate and will have lower expectations regarding growth. Using this same logic, if a new stock issue sells at a price per share that is the same as the pre-sale book

value per share, there would be no impact on either the utility's earnings base or investor expectations.

Q. Please explain how the external component of the DCF growth rate is determined.

A. In his book, The Cost of Capital to a Public Utility,[4] Dr. Gordon (the individual responsible for the development of the DCF or constant growth model) identified a growth rate that includes both expected internal and external financing components. The mathematical expression for Dr. Gordon's growth rate is as follows:

$$g = (br) + (sv)$$

where: g = DCF expected growth rate,
b = the earnings retention ratio,
r = the return on common equity,
s = the fraction of new common stock sold that accrues to a current shareholder, and
v = funds raised from the sale of stock as a fraction of existing equity.

and $v = 1 - [(BV) \div (MP)]$

where: BV = book value per share of common stock, and
MP = the market price per share of common stock.

[4] Gordon, M.J., The Cost of Capital to a Public Utility, East Lansing, MI: Michigan State University, 1974, pp. 30-33.

Q. Did you include the effect of external equity financing on long-term growth rate expectations in your analysis of expected dividend growth for the DCF model?

A. Yes. The external growth rate estimate (sv) is displayed on Page 1 of Schedule WAR-4, where it is added to the internal growth rate estimate (br) to arrive at a final sustainable growth rate estimate.

Q. Please explain why your calculation of external growth on page 2 of Schedule WAR-4, is the current market-to-book ratio averaged with 1.0 in the equation [(M ÷ B) + 1] ÷ 2.

A. The market price of a utility's common stock will tend to move toward book value, or a market-to-book ratio of 1.0, if regulators allow a rate of return that is equal to the cost of capital (one of the desired effects of regulation). As a result of this situation, I used [(M ÷ B) + 1] ÷ 2 as opposed to the current market-to-book ratio by itself to represent investor's expectations that, in the future, a given utility will achieve a market-to-book ratio of 1.0.

Q. Has the Commission ever adopted a cost of capital estimate that included this assumption?

A. Yes. In a prior Southwest Gas Corporation rate case[5], the Commission adopted the recommendations of ACC Staff's cost of capital witness, Stephen Hill, who I noted earlier in my testimony. In that case, Mr. Hill

[5] Decision No. 68487, Dated February 23, 2006 (Docket No. G-01551A-04-0876)

used the same methods that I have used in arriving at the inputs for the DCF model. His final recommendation for Southwest Gas Corporation was largely based on the results of his DCF analysis, which incorporated the same valid market-to-book ratio assumption that I have used consistently in the DCF model as a cost of capital witness for RUCO.

Q. How did you develop your dividend growth rate estimate?

A. I analyzed data on two separate proxy groups. A water company proxy group comprised of three publicly traded water companies and a natural gas proxy group consisting of nine natural gas local distribution companies ("LDC") that have similar operating characteristics to water providers.

Q. Why did you use a proxy group methodology as opposed to a direct analysis of the Company?

A. One of the problems in performing this type of analysis is that the utility applying for a rate increase is not always a publicly traded company, as is the case with GWC. Consequently it was necessary to create a proxy by analyzing publicly traded water companies and LDC's with similar risk characteristics.

Q. Are there any other advantages to the use of a proxy?

A. Yes. As I noted earlier, the U.S. Supreme Court ruled in the Hope decision that a utility is entitled to earn a rate of return that is

commensurate with the returns on investments of other firms with comparable risk. The proxy technique that I have used derives that rate of return. One other advantage to using a sample of companies is that it reduces the possible impact that any undetected biases, anomalies, or measurement errors may have on the DCF growth estimate.

Q. What criteria did you use in selecting the companies that make up your water company proxy for the Company?

A. The three water companies used in the proxy are publicly traded on the New York Stock Exchange ("NYSE"). All three water companies are followed by The Value Line Investment Survey ("Value Line") and are the same companies that comprise Value Line's large capitalization Water Utility Industry segment of the U.S. economy (Attachment A contains Value Line's January 22, 2010 update of the water utility industry and evaluations of the water companies used in my proxy).

Q. Are these the same water utilities that you have used in prior rate case proceedings?

A. Yes. However, in prior proceedings I have also included a fourth water provider known as Southwest Water Company ("SWWC") which is traded over the counter through the National Association of Securities Dealers Automated Quotation System ("NASDAQ").

Q. Why did you exclude SWWC from your sample in this proceeding?

A. On March 3, 2010 SWWC announced that it had entered into a definitive merger agreement to be acquired for approximately $275 million in cash, or $11.00 per share (almost 2.5 times SWWC's 2009 book value per share), by institutional investors advised by J.P. Morgan Asset Management and Water Asset Management L.L.C. As a result of this situation, the Company's stock price is being driven by the offer price and is no longer suitable for use in my sample.

Q. Please describe the companies that comprise your water company proxy group.

A. My water company proxy group includes American States Water Company (stock ticker symbol "AWR"), California Water Service Group ("CWT") and Aqua America, Inc. ("WTR"). Each of these water companies face the same types of risk that the Company faces. For the sake of brevity, I will refer to each of these companies by their appropriate stock ticker symbols henceforth.

Q. Briefly describe the areas served by the companies in your water company sample proxy.

A. In addition to providing water service to residents of Fountain Hills, Arizona through its wholly owned subsidiary Chaparral City Water Company, AWR also serves communities located in Los Angeles, Orange

and San Bernardino counties in California. CWT provides service to customers in seventy-five communities in California, New Mexico and Washington. CWT's principal service areas are located in the San Francisco Bay area, the Sacramento, Salinas and San Joaquin Valleys and parts of Los Angeles. WTR is a holding company for a large number of water and wastewater utilities operating in nine different states including Pennsylvania, Ohio, New Jersey, Illinois, Maine, North Carolina, Texas, Florida and Kentucky.

Q. Are these the same water companies that were used in GWC's Application?

A. The Company's cost of equity witness, Mr. Thomas J. Bourassa, used the same water companies included in my proxy. Mr. Bourassa also used three other water companies in his cost of capital analysis[6] which are included in Value Line's Small and Mid Cap Edition.

Q. Why did you exclude the water companies that are followed in Value Line's Small and Mid Cap Edition in your cost of common equity analysis?

A. Value Line does not provide the same type of forward-looking information (i.e. long-term estimates on return on common equity and share growth) on small and mid-cap companies that it provides on the three water

[6] Connecticut Water Service, Inc., Middlesex Water Company and SJW Corp.

companies that I used in my proxy. Consequently these water providers are not as suitable as the ones that I have used in my analysis.

Q. What criteria did you use in selecting the natural gas LDC's included in your proxy for the Company?

A. As are the water companies that I just described, each of the natural gas LDC's used in the proxy are publicly traded on a major stock exchange (all nine trade on the NYSE) and are followed by Value Line. Each of the nine LDC's in my sample are tracked in Value Line's natural gas Utility industry segment. All of the companies in the proxy are engaged in the provision of regulated natural gas distribution services. Attachment B of my testimony contains Value Line's most recent evaluation of the natural gas proxy group that I used for my cost of common equity analysis.

Q. What companies are included your natural gas proxy?

A. The nine natural gas LDC's included in my proxy (and their NYSE ticker symbols) are AGL Resources, Inc. ("AGL"), Atmos Energy Corp. ("ATO"), Laclede Group, Inc. ("LG"), New Jersey Resources Corporation ("NJR"), Northwest Natural Gas Co. ("NWN"), Piedmont Natural Gas Company ("PNY"), South Jersey Industries, Inc. ("SJI") Southwest Gas Corporation ("SWX"), which is the dominant natural gas provider in Arizona, and WGL Holdings, Inc. ("WGL").

Q. Are these the same LDC's that you have used in prior rate case proceedings?

A. Yes, I have used these same LDC's in prior cases including the most recent UNS Gas, Inc. proceeding.[7] However, in those prior proceedings I also included a tenth natural gas provider known as Nicor, Inc. ("GAS"). Nicor, Inc. is currently being acquired by AGL Resources, Inc. and, as with Southwest Water Company, Nicor's stock price is now being driven by the aforementioned acquisition. For this reason I've dropped Nicor, Inc. from my LDC proxy group.

Q. Briefly describe the regions of the U.S. served by the nine natural gas LDC's that make up your sample proxy.

A. The nine LDC's listed above provide natural gas service to customers in the Middle Atlantic region (i.e. NJI which serves portions of northern New Jersey, SJI which serves southern New Jersey and WGL which serves the Washington D.C. metro area), the Southeast and South Central portions of the U.S. (i.e. AGL which serves Virginia, southern Tennessee and the Atlanta, Georgia area and PNY which serves customers in North Carolina, South Carolina and Tennessee), the South, deep South and Midwest (i.e. ATO which serves customers in Kentucky, Mississippi, Louisiana, Texas, Colorado and Kansas, LG which serves the St. Louis area), and the

[7] Docket No. G-04204A-06-0463

Pacific Northwest (i.e. NWN which serves Washington state and Oregon). Portions of Arizona, Nevada and California are served by SWX.

Q. Did the Company's witness also perform a similar analysis using natural gas LDC's?

A. No, he did not.

Q. Please explain your DCF growth rate calculations for the sample companies used in your proxy.

A. Schedule WAR-5 provides retention ratios, returns on book equity, internal growth rates, book values per share, numbers of shares outstanding, and the compounded share growth for each of the utilities included in the sample for the historical observation period 2005 to 2009 for the water utilities and 2006 to 2010 for the LDC's. Schedule WAR-5 also includes Value Line's projected 2010, 2011 and 2013-15 values for the retention ratio, equity return, book value per share growth rate, and number of shares outstanding for the water utilities and the same data projections over 2011, 2012 and 2014-16 for the LDC's.

Q. Please describe how you used the information displayed in Schedule WAR-5 to estimate each comparable utility's dividend growth rate.

A. In explaining my analysis, I will use AWR as an example. The first dividend growth component that I evaluated was the internal growth rate.

I used the "b x r" formula (described on pages 11 and 12) to multiply AWR's earned return on common equity by its earnings retention ratio for each year in the 2005 to 2009 observation period to derive the utility's annual internal growth rates. I used the mean average of this five-year period as a benchmark against which I compared the projected growth rate trends provided by Value Line. Because an investor is more likely to be influenced by recent growth trends, as opposed to historical averages, the five-year mean noted earlier was used only as a benchmark figure. As shown on Schedule WAR-5, Page 1, AWR's average internal growth rate of 3.04 percent over the 2005 to 2009 time frame reflects an up and down pattern of growth that ranged from a low of 2.56 percent in 2006 to a high of 3.79 percent during 2007. Value Line is predicting that growth will increase steadily from 3.09 percent in 2009, to 6.49 percent by the end of the 2013-15 time frame. After weighing Value Line's projections on earnings and dividend growth, I believe that a 6.50% rate of growth is reasonable for AWR (Schedule WAR-4, Page 1 of 2).

Q. Please continue with the external growth rate component portion of your analysis.

A. Schedule WAR-5 demonstrates that the number of shares outstanding for AWR increased from 16.80 million to 18.53 million from 2005 to 2009. Value Line is predicting that this level will increase from 18.53 million in 2009 to 20.00 million by the end of 2015. Based on this data, I believe

that a 1.25 percent growth in shares is not unreasonable for AWR (Page 2 of Schedule WAR-4). My final dividend growth rate estimate for AWR is 6.91 percent (6.50 percent internal growth + 0.41 percent external growth) and is shown on Page 1 of Schedule WAR-4.

Q. What is your average DCF dividend growth rate estimate for your sample of water utilities?

A. My average DCF dividend growth rate estimate for my water company sample is 6.08 percent as displayed on page 1 of Schedule WAR-4.

Q. Did you use the same approach to determine an average dividend growth rate for your proxy of natural gas LDC's?

A. Yes.

Q. What is your average DCF dividend growth rate estimate for the sample natural gas utilities?

A. My average DCF dividend growth rate estimate is 5.52 percent, which is also displayed on page 1 of Schedule WAR-4.

...

Q. How does your average dividend growth rate estimates on water companies compare to the growth rate data published by Value Line and other analysts?

A. Schedule WAR-6 compares my growth estimates with the five-year projections of analysts at both Zacks Investment Research, Inc. ("Zacks") (Attachment C) and Value Line. In the case of the water companies, my 6.08 percent estimate exceeds Zacks' average long-term EPS projection of 6.00 percent and Value Line's growth projection of 4.86 percent (which is an average of EPS, DPS and BVPS). My 6.08 percent estimate is 41 basis points higher than the 5.67 percent average of Value Line's historical growth results and 71 basis points higher than the average of the growth data published by Value Line and Zacks. My 6.08 percent growth estimate is also 107 basis points higher than Value Line's 5.01 percent 5-year compound historical average of EPS, DPS and BVPS. The estimates of analysts at Value Line indicate that investors are expecting somewhat higher performance from the water utility industry in the future given their 8.00 percent to 9.00 percent return on book common equity over the 2010 to 2015 period (Attachment A). On balance, I would say my 6.08 percent estimate is a good representation of the growth projections that are available to the investing public.

...

Q. How do your average dividend growth rate estimates on natural gas LDC's compare to the growth rate data published by Value Line and other analysts?

A. In regard to the natural gas LDC's, my 5.52 percent estimate exceeds the average 4.69 percent long-term EPS consensus projections published by Zacks, and the 4.28 percent Value Line projected estimate (which is an average of EPS, DPS and BVPS) by 83 to 124 basis points. As can also be seen on Schedule WAR-6, the 5.52 percent estimate that I have calculated is 123 basis points higher than the 4.29 percent average of the 5-year historic EPS, DPS and BVPS means of Value Line. In fact, my 5.52 percent estimate is 63 basis points higher than the combined 4.89 percent Value Line and Zacks averages displayed in Schedule WAR-6. In the case of the LDC's I would say that my 5.52 percent estimate, which is higher than both Zacks' and Value Line's forecasts, is also a reasonable representation of the growth projections presented by securities analysts at this point in time.

Q. How did you calculate the dividend yields displayed in Schedule WAR-3?

A. For both the water companies and the natural gas LDC's I used the estimated annual dividends, for the next twelve-month period, that appeared in Value Line's January 21, 2011 Ratings and Reports water utility industry update and Value Line's March 11, 2011 Ratings and Reports natural gas utility update. I then divided those figures by the

eight-week average daily adjusted closing price per share of the appropriate utility's common stock. The eight-week observation period ran from January 3, 2011 to February 25, 2011, and the average dividend yields were 3.01 percent and 3.79 percent for the water companies and natural gas LDC's respectively.

Q. Based on the results of your DCF analysis, what is your cost of equity capital estimate for the water and natural gas utilities included in your sample?

A. As shown on Schedule WAR-2, the cost of equity capital derived from my DCF analysis is 9.09 percent for the water utilities and 9.31 percent for the natural gas LDC's.

Capital Asset Pricing Model (CAPM) Method

Q. Please explain the theory behind CAPM and why you decided to use it as an equity capital valuation method in this proceeding.

A. CAPM is a mathematical tool that was developed during the early 1960's by William F. Sharpe[8], the Timken Professor Emeritus of Finance at Stanford University, who shared the 1990 Nobel Prize in Economics for research that eventually resulted in the CAPM model. CAPM is used to analyze the relationships between rates of return on various assets and

[8] William F. Sharpe, "A Simplified Model of Portfolio Analysis," Management Science, Vol. 9, No. 2 (January 1963), pp. 277-93.

risk as measured by beta.[9] In this regard, CAPM can help an investor to determine how much risk is associated with a given investment so that he or she can decide if that investment meets their individual preferences. Finance theory has always held that as the risk associated with a given investment increases, so should the expected rate of return on that investment and vice versa. According to CAPM theory, risk can be classified into two specific forms: nonsystematic or diversifiable risk, and systematic or non-diversifiable risk. While nonsystematic risk can be virtually eliminated through diversification (i.e. by including stocks of various companies in various industries in a portfolio of securities), systematic risk, on the other hand, cannot be eliminated by diversification. Thus, systematic risk is the only risk of importance to investors. Simply stated, the underlying theory behind CAPM is that the expected return on a given investment is the sum of a risk-free rate of return plus a market risk premium that is proportional to the systematic (non-diversifiable risk) associated with that investment. In mathematical terms, the formula is as follows:

[9] Beta is defined as an index of volatility, or risk, in the return of an asset relative to the return of a market portfolio of assets. It is a measure of systematic or non-diversifiable risk. The returns on a stock with a beta of 1.0 will mirror the returns of the overall stock market. The returns on stocks with betas greater than 1.0 are more volatile or riskier than those of the overall stock market; and if a stock's beta is less than 1.0, its returns are less volatile or riskier than the overall stock market.

$$k = r_f + [\ ß\ (\ r_m - r_f)\ ]$$

where: k = the expected return of a given security,

r_f = risk-free rate of return,

$ß$ = beta coefficient, a statistical measurement of a security's systematic risk,

r_m = average market return (e.g. S&P 500), and

$r_m - r_f$ = market risk premium.

Q. What types of financial instruments are generally used as a proxy for the risk-free rate of return in the CAPM model?

A. Generally speaking, the yields of U.S. Treasury instruments are used by analysts as a proxy for the risk-free rate of return component.

Q. Please explain why U.S. Treasury instruments are regarded as a suitable proxy for the risk-free rate of return?

A. As citizens and investors, we would like to believe that U.S. Treasury securities (which are backed by the full faith and credit of the United States Government) pose no threat of default no matter what their maturity dates are. However, a comparison of various Treasury instruments (Attachment D) will reveal that those with longer maturity dates do have slightly higher yields. Treasury yields are comprised of two separate

components,[10] a real rate of interest (believed to be approximately 2.00 percent) and an inflationary expectation. When the real rate of interest is subtracted from the total treasury yield, all that remains is the inflationary expectation. Because increased inflation represents a potential capital loss, or risk, to investors, a higher inflationary expectation by itself represents a degree of risk to an investor. Another way of looking at this is from an opportunity cost standpoint. When an investor locks up funds in long-term T-Bonds, compensation must be provided for future investment opportunities foregone. This is often described as maturity or interest rate risk and it can affect an investor adversely if market rates increase before the instrument matures (a rise in interest rates would decrease the value of the debt instrument). As discussed earlier in the DCF portion of my testimony, this compensation translates into higher rates of returns to the investor.

Q. What security did you use for a risk-free rate of return in your CAPM analysis?

A. I used an eight-week average of the yield on a 5-year U.S. Treasury instrument. The yields were published in Value Line's Selection and Opinion publication dated January 21, 2011 through March 11, 2011

[10] As a general rule of thumb, there are three components that make up a given interest rate or rate of return on a security: the real rate of interest, an inflationary expectation, and a risk premium. The approximate risk premium of a given security can be determined by simply subtracting a 91-day T-Bill rate from the yield on the security.

(Attachment D). This resulted in a risk-free (r_f) rate of return of 2.13 percent.

Q. Why did you use the yield on a 5-year year U.S. Treasury instrument as opposed to a short-term T-Bill?

A. While a shorter term instrument, such as a 91-day T-Bill, presents the lowest possible total risk to an investor, a good argument can be made that the yield on an instrument that matches the investment period of the asset being analyzed in the CAPM model should be used as the risk-free rate of return. Since utilities in Arizona generally file for rates every three to five years, the yield on a 5-year U.S. Treasury Instrument closely matches the investment period or, in the case of regulated utilities, the period that new rates will be in effect.

Q. How did you calculate the market risk premium used in your CAPM analysis?

A. I used both a geometric and an arithmetic mean of the historical total returns on the S&P 500 index from 1926 to 2009 as the proxy for the market rate of return (r_m). For the risk-free portion of the risk premium component (r_f), I used the geometric mean of the total returns of intermediate-term government bonds for the same eighty-three year period. The market risk premium (r_m - r_f) that results by using the geometric mean of these inputs is 4.50 percent (9.80% - 5.30% = 4.50%).

The market risk premium that results by using the arithmetic mean calculation is 6.30 percent (11.80% - 5.50% = 6.30%).

Q. How did you select the beta coefficients that were used in your CAPM analysis?

A. The beta coefficients (ß), for the individual utilities used in both my proxies, were calculated by Value Line and were current as of January 21, 2011 for the water companies and March 11, 2011 for the natural gas LDC's. Value Line calculates its betas by using a regression analysis between weekly percentage changes in the market price of the security being analyzed and weekly percentage changes in the NYSE Composite Index over a five-year period. The betas are then adjusted by Value Line for their long-term tendency to converge toward 1.00. The beta coefficients for the service providers included in my water company sample ranged from 0.65 to 0.80 with an average beta of 0.72. The beta coefficients for the LDC's included in my natural gas sample ranged from 0.60 to 0.75 with an average beta of 0.66.

Q. What are the results of your CAPM analysis?

A. As shown on pages 1 and 2 of Schedule WAR-7, my CAPM calculation using a geometric mean to calculate the risk premium results in an average expected return of 5.35 percent for the water companies and 5.10 percent for the natural gas LDC's. My calculation using an arithmetic

mean results in an average expected return of 6.64 percent for the water companies and 6.29 percent for the natural gas LDC's.

Q. Please summarize the results derived under each of the methodologies presented in your testimony.

A. The following is a summary of the cost of equity capital derived under each methodology used:

METHOD	RESULTS
DCF (Water Sample)	9.09%
DCF (Natural Gas Sample)	9.31%
CAPM (Water Sample)	5.35% – 6.64%
CAPM (Natural Gas)	5.10% – 6.29%

Based on these results, my best estimate of an appropriate range for a cost of common equity for the Company is 5.10 percent to 9.31 percent. My final recommended cost of common equity figure is 9.00 percent.

Q. How does your recommended cost of equity capital compare with the cost of equity capital proposed by the Company?

A. The 11.00 percent cost of equity capital proposed by the Company is 200 basis points higher than the 9.00 percent cost of equity capital that I am recommending.

Q How did you arrive at your final recommended 9.00 percent cost of common equity?

A. My recommended 9.00 percent cost of common equity falls on the high side of the range of estimates obtained from my DCF and CAPM analyses. As I will discuss in more detail in the next section of my testimony, my final estimate takes into consideration current interest rates (as the cost of equity moves in the same direction as interest rates), the improving state of the national economy, which began in the later part of 2009, and a rejuvenated stock market. My final estimate also takes into consideration a general belief among economists and market analysts that the U.S. Federal Reserve will begin raising interest rates as the economy continues to improve (although there is no firm estimate as to when that may occur). I also took into consideration information on Arizona's economy and current rate of unemployment in making my final cost of equity estimate.

Current Economic Environment

Q. Please explain why it is necessary to consider the current economic environment when performing a cost of equity capital analysis for a regulated utility.

A. Consideration of the economic environment is necessary because trends in interest rates, present and projected levels of inflation, and the overall state of the U.S. economy determine the rates of return that investors earn

on their invested funds. Each of these factors represent potential risks that must be weighed when estimating the cost of equity capital for a regulated utility and are, most often, the same factors considered by individuals who are also investing in non-regulated entities.

Q. Please describe your analysis of the current economic environment.

A. My analysis begins with a review of the economic events that have occurred between 1990 and the present in order to provide a background on how we got to where we are now. It also describes how the Board of Governors of the Federal Reserve System ("Federal Reserve" or "Fed") and its Federal Open Market Committee ("FOMC") used its interest rate-setting authority to stimulate the economy by cutting interest rates during recessionary periods and by raising interest rates to control inflation during times of robust economic growth. Schedule WAR-8 displays various economic indicators and other data that I will refer to during this portion of my testimony.

In 1991, as measured by the most recently revised annual change in gross domestic product ("GDP"), the U.S. economy experienced a rate of growth of negative 0.20 percent. This decline in GDP marked the beginning of a mild recession that ended sometime before the end of the first half of 1992. Reacting to this situation, the Federal Reserve, then chaired by noted economist Alan Greenspan, lowered its benchmark

federal funds rate[11] in an effort to further loosen monetary constraints - an action that resulted in lower interest rates.

During this same period, the nation's major money center banks followed the Federal Reserve's lead and began lowering their interest rates as well. By the end of the fourth quarter of 1993, the prime rate (the rate charged by banks to their best customers) had dropped to 6.00 percent from a 1990 level of 10.01 percent. In addition, the Federal Reserve's discount rate on loans to its member banks had fallen to 3.00 percent and short-term interest rates had declined to levels that had not been seen since 1972.

Although GDP increased in 1992 and 1993, the Federal Reserve took steps to increase interest rates beginning in February of 1994, in order to keep inflation under control. By the end of 1995, the Federal discount rate had risen to 5.21 percent. Once again, the banking community followed the Federal Reserve's moves. The Fed's strategy, during this period, was to engineer a "soft landing." That is to say that the Federal Reserve wanted to foster a situation in which economic growth would be stabilized without incurring either a prolonged recession or runaway inflation.

[11] This is the interest rate charged by banks with excess reserves at a Federal Reserve district bank to banks needing overnight loans to meet reserve requirements. The federal funds rate is the most sensitive indicator of the direction of interest rates, since it is set daily by the market, unlike the prime rate and the discount rate, which are periodically changed by banks and by the Federal Reserve Board, respectively.

Q. Did the Federal Reserve achieve its goals during this period?

A. Yes. The Fed's strategy of decreasing interest rates to stimulate the economy worked. The annual change in GDP began an upward trend in 1992. A change of 4.50 percent and 4.20 percent were recorded at the end of 1997 and 1998 respectively. Based on daily reports that were presented in the mainstream print and broadcast media during most of 1999, there appeared to be little doubt among both economists and the public at large that the U.S. was experiencing a period of robust economic growth highlighted by low rates of unemployment and inflation. Investors, who believed that technology stocks and Internet company start-ups (with little or no history of earnings) had high growth potential, purchased these types of issues with enthusiasm. These types of investors, who exhibited what former Chairman Greenspan described as "irrational exuberance," pushed stock prices and market indexes to all time highs from 1997 to 2000. Over the next ten years, the FOMC continued to stimulate the economy and keep inflation in check by raising and lowering the federal funds rate.

Q. How did the U.S. economy fare between 2001 and 2007?

A. The U.S. economy entered into a recession near the end of the first quarter of 2001. The bullish trend, which had characterized the last half of the 1990's, had already run its course sometime during the third quarter of 2000. Disappointing economic data releases, since the beginning of

2001, preceded the September 11, 2001 terrorist attacks on the World Trade Center and the Pentagon which are now regarded as a defining point during this economic slump. From January 2001 to June 2003 the Federal Reserve cut interest rates a total of thirteen times in order to stimulate growth. During this period, the federal funds rate fell from 6.50 percent to 1.00 percent. The FOMC reversed this trend on June 29, 2004 and raised the federal funds rate 25 basis points to 1.25 percent. From June 29, 2004 to January 31, 2006, the FOMC raised the federal funds rate thirteen more times to a level of 4.50 percent during a period in which the economic picture turned considerably brighter as both Inflation and unemployment fell, wages increased and the overall economy, despite continued problems in housing, grew briskly.[12]

The FOMC's January 31, 2006 meeting marked the final appearance of Alan Greenspan, who had presided over the rate setting body for a total of eighteen years. On that same day, Greenspan's successor, Ben Bernanke, the former chairman of the President's Council of Economic Advisers, and a former Fed governor under Greenspan from 2002 to 2005, was confirmed by the U.S. Senate to be the new Federal Reserve chief. As expected by Fed watchers, Chairman Bernanke picked up where his predecessor left off and increased the federal funds rate by 25 basis points during each of the next three FOMC meetings for a total of

[12] Henderson, Nell, "Bullish on Bernanke" The Washington Post, January 30, 2007.

seventeen consecutive rate increases since June 2004, and raising the federal funds rate to a level of 5.25 percent. The Fed's rate increase campaign finally came to a halt at the FOMC meeting held on August 8, 2006, when the FOMC decided not to raise rates. Once again, the Fed managed to engineer a soft landing.

Q. What has been the state of the economy since 2007?

A. Reports in the mainstream financial press during the majority of 2007 reflected the view that the U.S. economy was slowing as a result of a worsening situation in the housing market and higher oil prices. The overall outlook for the economy was one of only moderate growth at best. Also during this period the Fed's key measure of inflation began to exceed the rate setting body's comfort level.

On August 7, 2007, the beginning of what is now being referred to as the Great Recession; the FOMC decided not to increase or decrease the federal funds rate for the ninth straight time and left its target rate unchanged at 5.25 percent.[13] At the time of the Fed's decision, analysts speculated that a rate cut over the next several months was unlikely given the Fed's concern that inflation would fail to moderate. However, during this same period, evidence of an even slower economy and a possible

[13] Ip, Greg, "Markets Gyrate As Fed Straddles Inflation, Growth" The Wall Street Journal, August 8, 2007

recession was beginning to surface. Within days of the Fed's decision to stand pat on rates, a borrowing crisis rooted in a deterioration of the market for subprime mortgages and securities linked to them, forced the Fed to inject $24 billion in funds (raised through its open market operations) into the credit markets.[14] By Friday, August 17, 2007, after a turbulent week on Wall Street, the Fed made the decision to lower its discount rate (i.e. the rate charged on direct loans to banks) by 50 basis points, from 6.25 percent to 5.75 percent, and took steps to encourage banks to borrow from the Fed's discount window in order to provide liquidity to lenders. According to an article that appeared in the August 18, 2007 edition of The Wall Street Journal, [15] the Fed had used all of its tools to restore normalcy to the financial markets. If the markets failed to settle down, the Fed's only weapon left was to cut the Federal Funds rate – possibly before the next FOMC meeting scheduled on September 18, 2007.

Q. Did the Fed cut rates as a result of the subprime mortgage borrowing crises?

A. Yes. At its regularly scheduled meeting on September 18, 2007, the FOMC surprised the investment community and cut both the federal funds rate and the discount rate by 50 basis points (25 basis points more than

[14] Ip, Greg, "Fed Enters Market To Tamp Down Rate" The Wall Street Journal, August 9, 2007

[15] Ip, Greg, Robin Sidel and Randall Smith, "Fed Offers Banks Loans Amid Crises" The Wall Street Journal, August 9, 2007

what was anticipated). This brought the federal funds rate down to a level of 4.75 percent. The Fed's action was seen as an effort to curb the aforementioned slowdown in the economy. Over the course of the next four months, the FOMC reduced the Federal funds rate by a total 175 basis points to a level of 3.00 percent – mainly as a result of concerns that the economy was slipping into a recession. This included a 75 basis point reduction that occurred one week prior to the FOMC's meeting on January 29, 2008.

Q. What actions has the Fed taken in regard to interest rates since the beginning of 2008?

A. The Fed made two more rate cuts which included a 75 basis point reduction in the federal funds rate on March 18, 2008 and an additional 25 basis point reduction on April 30, 2008. The Fed's decision to cut rates was based on its belief that the slowing economy was a greater concern than the current rate of inflation (which the majority of FOMC members believed would moderate during the economic slowdown).[16] As a result of the Fed's actions, the federal funds rate was reduced to a level of 2.00 percent. From April 30, 2008 through September 16, 2008, the Fed took no further action on its key interest rate. However, the days before and after the Fed's September 16, 2008 meeting saw longstanding Wall Street

[16] Ip, Greg, "Credit Worries Ease as Fed Cuts, Hints at More Relief" The Wall Street Journal, March 19, 2008

firms such as Lehman Brothers, Merrill Lynch and AIG failing as a result of their subprime holdings. By the end of the week, the Bush administration had announced plans to deal with the deteriorating financial condition which had now become a worldwide crisis. The administrations actions included former Treasury Secretary Henry Paulson's request to Congress for $700 billion to buy distressed assets as part of a plan to halt what has been described as the worst financial crisis since the 1930's[17]. Amidst this turmoil, the Fed made the decision to cut the federal funds rate by another 50 basis points in a coordinated move with foreign central banks on October 8, 2008. This was followed by another 50 basis point cut during the regular FOMC meeting on October 29, 2008. At the time of this writing, the federal funds target rate now stands at 0.25 percent, the result of a 75 basis point cut announced on December 16, 2008.

Q. What is the current rate of inflation in the U.S.?

A. As can be seen on Schedule WAR-8, the current rate of inflation is at 1.63 percent according to information provided by the U.S. Department of Labor's Bureau of Labor Statistics.[18]

...

[17] Soloman, Deborah, Michael R. Crittenden and Damian Paletta, "U.S. Bailout Plan Calms Markets, But Struggle Looms Over Details" The Wall Street Journal, September 20, 2008

[18] http://www.bls.gov/news.release/cpi.nr0.htm

Q. Has the Fed raised interest rates in anticipation of higher inflation?

A. No. Despite encouraging signs of recovery, with the exception of recent higher prices for food and oil, the FOMC has not raised interest rates to date. Furthermore, during the first week of November 2010, Chairman Bernanke announced plans to buy $600 billion of U.S. government bonds over the next eight months in order to drive down long-term interest rates and encourage more borrowing and growth.[19] During its March 15, 2011 meeting, the FOMC unanimously voted to press on with its $600 billion bond-buying plan despite a considerably more upbeat assessment of the economy and the job market. In a prepared statement, the FOMC announced that "The economic recovery is on a firmer footing, and overall conditions in the labor market appear to be improving gradually." However, the rate-setting body of the Fed also reiterated its pledge to keep interest rates, currently near zero, at very low levels for an extended period.[20]

Q. Putting this all into perspective, how have the Fed's actions since 2000 affected the yields on Treasury Instruments and benchmark interest rates?

A. As can be seen on Schedule WAR-8, current Treasury yields are considerably lower than corresponding yields that existed during the year

[19] Hilsenrath, Jon, "Fed Fires $600 Billion Stimulus Shot" The Wall Street Journal, November 4, 2010

[20] da Costa, Pedro and Mark Felsenthal, "Fed says economic recovery on firmer footing," MSNBC, March 15, 2011

2000 and U.S. Treasury instruments, are for the most part, still at historically low levels. As can be seen on the first page of Attachment D, the previously mentioned federal discount rate (the rate charged to the Fed's member banks), has remained steady at 0.75 percent since March of 2010.

As of March 2, 2011, leading interest rates that include the 3-month, 6-month and 1-year treasury yields have dropped from their March 2010 levels. Longer term yields including the 5-year, 10-year and 30-year have all fallen from levels that existed a year ago. Only the 30-year Zero rate saw a 5 basis point increase since March 2010 (Attachment D, Value Line Selection & Opinion page 2353). The prime rate has remained constant at 3.25 percent over the past year, as has the benchmark federal funds rate discussed above. A previous trend, described by former Chairman Greenspan as a "conundrum"[21], in which long-term rates fell as short-term rates increased, thus creating a somewhat inverted yield curve that existed as late as June 2007, is completely reversed and a more traditional yield curve (one where yields increase as maturity dates lengthen) presently exists. The 5-year Treasury yield, used in my CAPM analysis, has decreased 10 basis points from 2.27 percent, in March 2010, to 2.17 percent as of March 2, 2011.

[21] Wolk, Martin, "Greenspan wrestling with rate 'conundrum'," MSNBC, June 8, 2005

Q. What are the current yields on utility bonds?

A. Referring again to Attachment D, as of March 2, 2011, 25/30-year A-rated utility bonds were yielding 5.69 percent (10 basis points lower than a year ago) and 25/30-year Baa/BBB-rated utility bonds were yielding 6.08 percent (down 20 basis points from a year earlier).

Q. What is the current outlook for the economy?

A. Value line's analysts had this to say in the March 11, 2011 edition of Value Line's Selection and Opinion publication:

> **Things appear to be picking up nicely thus far in 2011.** Indeed, with manufacturing accelerating, personal income up strongly, exports gaining, and confidence building, it is likely that first-quarter GDP growth will rise by at least 3.5%. Although that would still pale against the growth rates tallied in the formative stages of some past economic recoveries, it might be sufficient — if sustained over several quarters — to reduce the jobless rate significantly.

Value Line's analysts went on to explain

> **Meanwhile, questions loom,** both stateside and overseas. In the former case, there's the lingering slump in housing, with recent data on sales of new homes and existing residences being less than inspiring. Indeed, we sense it will be a year or two before this sector is recovering strongly. Then, there is inflation, which is now starting to pick up, most notably for food and energy. The pricing situation will clearly bear watching. Looking abroad, there are serious tensions in North Africa and the Middle East, and the surge in oil prices to consider. How the drama in that contentious region plays out will materially affect our business fortunes.

Value Line's analysts also stated

> **Overall, we're fairly sanguine on the economy,** assuming the situation stabilizes overseas — allowing oil to settle back into a comfort zone in the $70-$90-a-barrel range — and housing doesn't suffer a double-dip, as some still fear. For now, we look

> for GDP growth of 3.0%-3.3% in 2011, which would be a credible performance.

Value Line's analysts went on to say

> **We're more cautious about the stock market,** largely because of the increasing global risks and the earlier ratcheting up in valuations. Still, as long as interest rates remain low and inflation proves contained, the bear could be kept at bay.

Q. How are water utilities faring in the current economic environment?

A. Although, as always, there are concerns regarding long-term infrastructure requirements, water utilities are being viewed as they normally are during times of economic uncertainty according to Value Line analyst Andre J. Costanza. In the January 21, 2011 quarterly update on the water utility industry Mr. Costanza stated the following:

> The recent earnings momentum is probably not sustainable, however. Growth will likely slow considerably for most, as growing infrastructure expenses and the costs associated with them (see below) are poised to erase the benefits of the top-line advances mentioned above and pressure margins. Water systems in the United States are aging and demand tremendous capital investment to be repaired or replaced in order to adequately meet EPA and state guidelines.
>
> Even still, the group does have its merits. The income component that accompanies most stocks here provides some stability, a welcomed component in times of economic uncertainty, which we continue to endure. As such, some of the water utility offerings have continued to trade upwards since our October review and the group, as a whole, still ranks towards the top of the Value Line Investment Survey for Timeliness. Note that our presentation no longer includes Southwest Water, which was acquired late last year.

...

Q. How has Arizona fared in terms of the overall economy and home foreclosures?

A. Arizona was one of the states hit the hardest during the Great Recession and has lagged during the current recovery.[22] During the period between 2006 and 2009, statewide construction spending fell by 40.00 percent. According to information provided by Irvine, California-based RealtyTrac, Arizona is currently ranked third in the nation behind California and Nevada in terms of home foreclosures with the largest number of foreclosures occurring in Maricopa, Pinal and Pima Counties.[23]

Q. What is the current unemployment situation in Arizona during this period of economic recovery?

A. According to a recent article in the Arizona Daily Star[24], Arizona's jobless rate remained unchanged at 10.00 percent (for a seasonally adjusted rate of 9.60 percent) in January 2011 from December 2010 according to figures released on Thursday, March 3, 2011 by the Arizona Commerce

[22] Beard, Betty, "Recession hit Arizona hardest" The Arizona Republic, March 6, 2011

[23] http://www.realtytrac.com/trendcenter/

[24] Fischer, Howard, "AZ jobs picture darker than was thought" The Arizona Daily Star, March 4, 2011

Department. [25] As of March 4, 2011, nationwide unemployment stood at 8.90 percent according to the U.S. Bureau of Labor Statistics.[26]

Q. After weighing the economic information that you've just discussed, do you believe that the 9.00 percent cost of equity capital that you have estimated is reasonable for the Company?

A. I believe that my recommended 9.00 percent cost of equity capital, which is 287 basis points higher than the current 6.08 percent yield on a Baa/BBB-rated utility bond, will provide the Company with a reasonable rate of return on invested capital when data on interest rates (that are low by historical standards), the current state of the economy, current rates of unemployment (both nationally and in Arizona), and the Fed's ability to keep inflation in check are all taken into consideration. As I noted earlier, the Hope decision determined that a utility is entitled to earn a rate of return that is commensurate with the returns it would make on other investments with comparable risk. I believe that my cost of equity analysis, which is on the high side of the range of results I obtained from both the DCF and CAPM models, has produced such a return.

[25] Arizona Department of Commerce Report Prepared in Cooperation with the U.S. Department of Labor Bureau of Labor Statistics www.workforce.az.gov

[26] U.S. Bureau of Labor Statistics Economic News Release dated March 4, 2011 http://www.bls.gov/news.release/empsit.nr0.htm

CAPITAL STRUCTURE AND COST OF DEBT

Q. Please describe the Company-proposed capital structure.

A. The Company-proposed capital structure is comprised of 81.68 percent common equity and 18.32 percent long-term debt.

Q. How does the Company-proposed capital structure compare with the capital structures of the water and gas utilities that comprise your samples?

A. The Company-proposed capital structure, comprised of 81.68 percent equity capital is clearly heavier in equity than the capital structures of the water and gas utilities in my samples, which had an average of 51.50 percent common equity, and would be perceived by investors as having lower risk overall. The lower level of debt in the Company's capital structure would indicate lower financial risk and would ordinarily justify a downward adjustment to the cost of common equity derived from my sample companies that had average capital structures of approximately 48.20 percent common equity and 53.80 percent debt in the case of water, and approximately 55.4 percent common equity and 443.90 percent debt in the case of natural gas.

...

Q. What capital structure are you recommending for GWC?

A. I am recommending a hypothetical capital structure comprised of 60.0 percent common equity and 40 percent debt as opposed to the Company-proposed capital structure.

Q. Why have you decided to recommend a hypothetical capital structure for GWC?

A. In recent years I have attempted, for the most part, to recommend hypothetical capital structures for utilities that have extreme levels of debt or equity in their capital structures. In a number of prior cases involving water systems, I have recommended hypothetical capital structures in cases where imprudent capital structures comprised of 100 percent equity were being proposed or in cases where the utility did not have debt with a third party financial institution or bondholders, such as in this case GWC's ratepayers would benefit from .

Q. Did you make any direct downward adjustment to your recommended cost of common equity that takes into consideration the level of equity contained in your recommended hypothetical capital structure?

A. No. While a good argument could be made for such an adjustment, I believe my recommended 9.00 percent cost of equity, which was derived from my samples which had more balanced capital structures, would

cover any investor concerns regarding any unique business risk associated with GWC.

Q. What cost of long-term debt are you recommending for GWC?

A. I am recommending that the Commission adopt a hypothetical cost of debt of 6.13 percent which is 237 basis points lower than the Company-proposed cost of debt of 8.50 percent.

Q. How did you determine your hypothetical cost of debt?

A. As can be viewed on page 2 of Schedule WAR-1, my recommended 6.13 percent hypothetical cost of debt is an average of the weighted costs of long-term debt of seven publicly traded water utilities followed by Value Line analysts. Three of these water utilities are the same ones that I described earlier and were used in my DCF and CAPM analyses. Three of the remaining four (Connecticut Water Service, Inc., Middlesex Water Company, and SJW Corp.) are ones that I noted earlier in my testimony that were included in the Company's proxy. The seventh water utility, York Water Company, is also followed in Value Line's Small & Mid-Cap Edition.

...

Q. Why do you believe your recommended 6.13 percent hypothetical cost of debt is reasonable?

A. My recommended 6.13 percent hypothetical cost of debt is 5 basis points higher than the current yield of 6.08 percent on a Baa/BBB-rated utility bonds that was reported in the March 11, 2011 Value line Selection and Opinion publication (Attachment D). In addition to this, Arizona Water Company, the second largest water provider in the state, privately placed $35 million in bonds at a stated rate of 6.67 percent on the first day of September 2008 during a period when the yield on Baa/BBB-rated utility bonds averaged 6.63 percent. So it is not unreasonable to conclude that a shareholder loan, such as the one that makes up the long-term debt portion of GWC's capital structure, should carry a rate of interest that is in line with prevailing rates. For the reasons stated above, I believe my recommended 6.13 percent hypothetical cost of debt is reasonable and there is no need for any additional basis points.

Q. Please describe GWC's shareholder loan.

A. GWC's shareholder loan for $527,400, with a stated rate of interest of 8.50 percent per annum, was executed on February 12, 2008 in accordance with Decision No. 56118, dated September 15, 1988. Decision No. 56118 authorized the Company to incur a maximum of $527,400 in long-term debt pursuant to A.R.S. §40-301 and §40-302. The promissory note lists the borrower as Goodman Water Company, an Arizona Corporation, and

the lender as E.C. Development, Inc., an Arizona Corporation. The note was signed by James A. Shiner, President of GWC and Alexander H. Sears, President of E.C. Development. As noted in the testimony of RUCO witness Timothy J. Coley, both Mr. Shiner and Mr. Sears are shareholders of GWC. Furthermore, as can be seen in Exhibit 2 of my direct testimony, both Mr. Shiner and Mr. Sears are the sole shareholders of E.C. Development, Inc.[27]

Q. What were the prevailing yields on utility bonds at the time that GWC's loan was executed?

A. Exhibit 1 of my testimony shows that the yields on a 25/30-year A-rated utility bond and a 25/30-year Baa/BBB-rated utility bond ranged from 6.02 percent to 6.35 percent during the period between February 6, 2008 and February 13, 2008 or 215 to 248 basis points lower than the 8.50 percent rate of interest on GWC's shareholder loan. As can be seen on Schedule WAR-8, the yield on a Baa/BBB-rated utility bond averaged 5.98 percent during 2010.

Q. Did GWC consider lower cost Water Infrastructure Financing Authority (WIA) financing?

A. According to GWC's response to intervenor Lawrence Wawrzyniak's data request Number 2.11 (Exhibit 2), the Company considered applying for a

[27] Goodman Water Company response to Wawrzyniak data request number 4.03 provided on March 17, 2011.

WIFA loan in March, 2009, but decided against it for a number of reasons. At that time, yields on yields on a 25/30-year A-rated utility bond and a 25/30-year Baa/BBB-rated utility bond ranged from 5.90 percent to 7.51 percent during the period between March 4, 2009 and April 4, 2009. Putting the WIFA loan aside, based on this information GWC could have conceivably benefited from pricing the shareholder loan at the prevailing interest rates that existing at the time that the loan was executed.

Q. What is the current rate on WIFA loans?

A. During a recent telephone conversation with WIFA personnel, I was informed that recent WIFA loans had been priced at approximately 3.68 percent, which is 245 basis points lower than my recommended 6.13 percent cost of debt for GWC.

Q. Do you believe that GWC's loan terms should be more reflective of prevailing rates?

A. Yes. Even if the shareholders believed that an 8.50 percent rate of interest was reasonable at the time the loan was executed, a prudent money manger would take advantage of lower rates and restructure or refinance existing higher cost debt instruments.

...

Q. How does the Company's proposed weighted cost of capital compare with your recommendation?

A. GWC has proposed a weighted average cost of capital of 10.54 percent which is 269 basis points higher than my recommended 7.85 percent weighted average cost of capital.

Q. Please summarize why you believe that the Commission should adopt your recommended 7.85 percent weighted average cost of capital that is the result of your recommended hypothetical capital structure, your recommended cost of equity capital and your hypothetical cost of debt.

A. I believe that the approach that I have taken in this case provides the Company with a rate of return that meets the standards established in the Hope and Bluefield cases while also providing no change in rates to GWC's customers. My recommended capital structure of 60 percent equity and 40 percent debt is more favorable to the Company than the average capital structure of the water utilities in my sample. Ratepayers also benefit from my recommended weighted average cost of capital which is lower than what would have been obtained from a capital structure comprised of 81.68 percent common equity. In short, I believe that my analysis has produced a rate of return that is just and reasonable and should be adopted by the Commission.

COMMENTS ON THE COMPANY-PROPOSED COST OF EQUITY CAPITAL

Q. How does your recommended cost of equity capital compare with the cost of equity capital proposed by the Company?

A. The Company's cost of capital witness, Mr. Bourassa, is recommending a cost of common equity of 11.00 percent. His 11.00 percent cost of equity capital is 200 basis points higher than the 9.00 percent cost of equity capital that I have calculated.

Q. What methods did Mr. Bourassa use to arrive at his proposed cost of common equity for the Company?

A. Mr. Bourassa used both the DCF and CAPM methods. He also relies on a third valuation method known as a Build-up method that does not require the use of market betas as does the CAPM. His DCF analysis relies on the same constant growth version of the DCF model that I have used with two different growth estimates: a past and future growth estimate which produces a 9.70 percent indicated cost of equity, and a future growth estimate which produces a 11.30 percent indicated cost of equity. Mr. Bourassa's CAPM analysis also uses the same model that I have used but he obtains two different results: one obtained by using an historical risk premium and the other by using a current market risk premium. His CAPM analysis produces results of 10.6 percent using an historical risk premium and 15.70 percent using a current market risk premium. His average CAPM result is 13.10 percent.

Q. What are the main reasons for the difference in the results that you obtained from your DCF analysis and the results that Mr. Bourassa obtained from his DCF analysis using the constant growth model?

A. Mr. Bourassa conducted his analysis around August 13, 2010 and consequently much of the data that he used in his analysis is now seven months old. This can be seen in a price comparison of three of the water company stocks that we both used in our samples: The difference between the average adjusted closing stock prices used in my DCF model and spot prices used by Mr. Bourassa in his DCF models are as follows:

	Rigsby	Bourassa	Difference
AWR	$33.92	$32.80	$1.12
CWT	$36.56	$34.72	$1.84
WTR	$22.99	$19.18	$3.81

As can be seen above, the three water stocks that our samples have in common have increased in value since the August 13, 2010 closing prices used in Mr. Bourassa's sample. Since there is little difference in the projected dividends used in our respective DCF models, the more current prices used in my model result in a lower current dividend yield which can be seen as follows:

	Rigsby	Bourassa	Difference
AWR	3.07%	3.17%	10 bps
CWT	3.25%	3.43%	18 bps
WTR	2.70%	3.08%	38 bps

Q. What are the differences between your constant growth DCF results and Mr. Bourassa's constant growth models?

A. As I stated earlier, Mr. Bourassa did not rely on a sample of natural gas utilities so my comparison is limited to our respective water utility samples. Much of the difference between our results is attributable to the utilities that were included in our samples. Mr. Bourassa's sample included utilities that I excluded because Value Line does not provide projections on them which I use to develop my growth estimates for the "g" component of the DCF model. His average annual dividend yields of 3.46 percent to 3.08 percent are 45 to 7 basis points higher than my average dividend yield of 3.01 percent. The current dividend yield of the three utilities that our samples have in common (based on my 8-week average adjusted closing prices listed above) would be 58 to 29 basis points higher than my 3.01 percent relying on Mr. Bourassa's method for calculating the current dividend yield. In regard to our growth (i.e. "g" component of the DCF model) estimates, Mr. Bourassa's estimates of 5.87 percent to 7.44 percent are 21 basis points lower to 136 basis points higher than my average growth estimate of 6.08 percent.

Q. Do you agree with Mr. Bourassa's rationale for not using Value Line estimates of DPS growth in the estimation of a growth rate for the DCF model?

A. No, I do not. In explaining his reason for this Mr. Bourassa also admits that DPS projections are not available for the three water utilities that I excluded in my sample. While in this case Mr. Bourassa admits that the projected DPS growth rate of 3.67 percent s higher than the historical growth rate of 3.33 percent, he has essentially made an argument in prior cases that the DPS element of growth should be selectively ignored if it depresses an overall growth rate that also includes EPS and BVPS.

Q. Do you agree with Mr. Bourassa?

A. No. I believe that all elements of growth should be considered in calculating a growth component for the DCF. This is what I've done to arrive at my DCF growth estimates.

Q. What are the main differences between your CAPM results and Mr. Bourassa's CAPM results?

A. The differences between our CAPM results is attributable to his selection of forecasted long-term U.S. Treasury instrument yields used as inputs for the risk-free rate of return and the time period that has expired since Mr. Bourassa filed his direct testimony. Mr. Bourassa's average beta of 0.78 has also fallen since his testimony was filed, and his current market risk

premium figure of 13.3 percent is simply not realistic when compared with the market risk premiums, ranging from 4.50 percent to 6.30 percent, that I obtained from Morningstar's 2010 SBBI Yearbook.

Q. Please explain the differences in your risk free rates of return.

A. I relied on an 8-week average yield of 2.13 percent on a 5-year treasury instrument whereas Mr. Bourassa relied on a 5.40 percent average of forecasted 30-year Treasury yields.

Q. Do you agree with Mr. Bourassa's reliance on forecasted yields of long-term Treasury instruments?

A. No. I believe that an average of the most recent yields on a 5-year Treasury instrument is more appropriate when one takes into account that utilities generally file for new rates every three to five years. Mr. Bourassa's 5.40 percent risk-free rate is based on analysts' forecasts for 2012 and 2013 and is 84 basis points higher than the current 4.56 percent yield on a 30-year Treasury bond which I believe is a better indicator of future yields on that instrument.

Q. What is the current average beta for the water utilities included in Mr. Bourassa's sample?

A. The current average beta for the water utilities included in Mr. Bourassa's sample is 0.77 as opposed to the 0.78 used in his CAPM analysis and the

0.72 average beta used in my CAPM analysis using a sample of water utilities. Since Mr. Bourassa's direct testimony was filed in September 2010, the betas for California Water Service Group and SJW Corp. dropped from 0.75 and .95 to 0.70 and 0.90 respectively, indicating lower risk, in terms of beta, for these companies.

Q. What are the differences in the market risk premiums that you used in your CAPM analyses?

A. As I explained earlier in my testimony, my market risk premiums are the 6.30 percent arithmetic and 4.50 percent geometric means of the differences between the return on the broader stock market and the yields of intermediate term U.S. Treasury instruments over the 1926 – 2009 time frame (obtained from Morningstar's 2010 SBBI Yearbook). Mr. Bourassa relied on a 6.70 percent historical risk premium (which also relied on Morningstar data) and a 13.30 percent current market risk premium, which was computed using the DCF model and data on 1,700 stocks followed by Value Line.

Q. Do you agree with Mr. Bourassa's 13.30 percent current market risk premium?

A. No. Mr. Bourassa's 13.30 percent market risk premium is clearly excessive and only represents a snapshot in time. He calculates it by using a DCF model that relies on stock price appreciation for the growth

component (i.e. "g"). This results in a 19-month average expected return of 17.60 percent. His 13.30 percent risk premium is the difference between the 17.60 percent DCF result and the 4.34 percent 19-month average of the yields on a 30-year Treasury instrument. Mr. Bourassa's current market risk premium is not even realistic considering the historic market risk premiums that take into consideration the full spectrum of economic conditions that have occurred since 1926.

Q. How did Mr. Bourassa arrive at his final 11.00 percent cost of common equity for the Company?

A. Mr. Bourassa's proposed 11.00 percent cost of common equity represents his own judgment and relies on the results of the midpoints of the ranges of estimates he obtained from his various models.

Q. Is there any merit in the rationale used by Mr. Bourassa in regard to the size arguments stated in his direct testimony?

A. No. One has to take into consideration the fact that the water utilities included in both Mr. Bourassa's and my samples are collections of water systems that are similar to GWC and face the same types of risks as GWC.

...

Q. Has the ACC ever granted a cost of equity based on company size?

A. To the best of my knowledge, the Commission has never granted a higher cost of common equity based on company size.

Q. Does your cost of capital recommendation take into consideration any perceived business risks that the Company might face?

A. Yes. As I stated earlier in my testimony, I believe that the amount of equity contained in my recommended capital structure, which is higher than the percentage of equity contained in my utility samples, and the fact that I have not made any downward adjustment to my recommended 9.00 percent cost of equity mitigates any perceived business risk, which would also include the construction risk that Mr. Bourassa speaks of in his testimony, that investors might believe the Company faces.

Q. Does your silence on any of the issues, matters or findings addressed in the testimony of Mr. Bourassa or any other witness for GWC constitute your acceptance of their positions on such issues, matters or findings?

A. No, it does not.

Q. Does this conclude your testimony on GWC?

A. Yes, it does.

Qualifications of William A. Rigsby, CRRA

EDUCATION:

University of Phoenix
Master of Business Administration, Emphasis in Accounting, 1993

Arizona State University
College of Business
Bachelor of Science, Finance, 1990

Mesa Community College
Associate of Applied Science, Banking and Finance, 1986

Society of Utility and Regulatory Financial Analysts
38th Annual Financial Forum and CRRA Examination
Georgetown University Conference Center, Washington D.C.
Awarded the Certified Rate of Return Analyst designation
after successfully completing SURFA's CRRA examination.

Michigan State University
Institute of Public Utilities
N.A.R.U.C. Annual Regulatory Studies Program, 1997 &1999

Florida State University
Center for Professional Development & Public Service
N.A.R.U.C. Annual Western Utility Rate School, 1996

EXPERIENCE:

Public Utilities Analyst V
Residential Utility Consumer Office
Phoenix, Arizona
April 2001 – Present

Senior Rate Analyst
Accounting & Rates - Financial Analysis Unit
Arizona Corporation Commission, Utilities Division
Phoenix, Arizona
July 1999 – April 2001

Senior Rate Analyst
Residential Utility Consumer Office
Phoenix, Arizona
December 1997 – July 1999

Utilities Auditor II and III
Accounting & Rates – Revenue Requirements Analysis Unit
Arizona Corporation Commission, Utilities Division
Phoenix, Arizona
October 1994 – November 1997

Tax Examiner Technician I / Revenue Auditor II
Arizona Department of Revenue
Transaction Privilege / Corporate Income Tax Audit Units
Phoenix, Arizona
July 1991 – October 1994

RESUME OF RATE CASE AND REGULATORY PARTICIPATION

Utility Company	Docket No.	Type of Proceeding
ICR Water Users Association	U-2824-94-389	Original CC&N
Rincon Water Company	U-1723-95-122	Rate Increase
Ash Fork Development Association, Inc.	E-1004-95-124	Rate Increase
Parker Lakeview Estates Homeowners Association, Inc.	U-1853-95-328	Rate Increase
Mirabell Water Company, Inc.	U-2368-95-449	Rate Increase
Bonita Creek Land and Homeowner's Association	U-2195-95-494	Rate Increase
Pineview Land & Water Company	U-1676-96-161	Rate Increase
Pineview Land & Water Company	U-1676-96-352	Financing
Montezuma Estates Property Owners Association	U-2064-96-465	Rate Increase
Houghland Water Company	U-2338-96-603 et al	Rate Increase
Sunrise Vistas Utilities Company – Water Division	U-2625-97-074	Rate Increase
Sunrise Vistas Utilities Company – Sewer Division	U-2625-97-075	Rate Increase
Holiday Enterprises, Inc. dba Holiday Water Company	U-1896-97-302	Rate Increase
Gardener Water Company	U-2373-97-499	Rate Increase
Cienega Water Company	W-2034-97-473	Rate Increase
Rincon Water Company	W-1723-97-414	Financing/Auth. To Issue Stock
Vail Water Company	W-01651A-97-0539 et al	Rate Increase
Bermuda Water Company, Inc.	W-01812A-98-0390	Rate Increase
Bella Vista Water Company	W-02465A-98-0458	Rate Increase
Pima Utility Company	SW-02199A-98-0578	Rate Increase

RESUME OF RATE CASE AND REGULATORY PARTICIPATION (Cont.)

Utility Company	Docket No.	Type of Proceeding
Pineview Water Company	W-01676A-99-0261	WIFA Financing
I.M. Water Company, Inc.	W-02191A-99-0415	Financing
Marana Water Service, Inc.	W-01493A-99-0398	WIFA Financing
Tonto Hills Utility Company	W-02483A-99-0558	WIFA Financing
New Life Trust, Inc. dba Dateland Utilities	W-03537A-99-0530	Financing
GTE California, Inc.	T-01954B-99-0511	Sale of Assets
Citizens Utilities Rural Company, Inc.	T-01846B-99-0511	Sale of Assets
MCO Properties, Inc.	W-02113A-00-0233	Reorganization
American States Water Company	W-02113A-00-0233	Reorganization
Arizona-American Water Company	W-01303A-00-0327	Financing
Arizona Electric Power Cooperative	E-01773A-00-0227	Financing
360networks (USA) Inc.	T-03777A-00-0575	Financing
Beardsley Water Company, Inc.	W-02074A-00-0482	WIFA Financing
Mirabell Water Company	W-02368A-00-0461	WIFA Financing
Rio Verde Utilities, Inc.	WS-02156A-00-0321 et al	Rate Increase/ Financing
Arizona Water Company	W-01445A-00-0749	Financing
Loma Linda Estates, Inc.	W-02211A-00-0975	Rate Increase
Arizona Water Company	W-01445A-00-0962	Rate Increase
Mountain Pass Utility Company	SW-03841A-01-0166	Financing
Picacho Sewer Company	SW-03709A-01-0165	Financing
Picacho Water Company	W-03528A-01-0169	Financing
Ridgeview Utility Company	W-03861A-01-0167	Financing
Green Valley Water Company	W-02025A-01-0559	Rate Increase
Bella Vista Water Company	W-02465A-01-0776	Rate Increase
Arizona Water Company	W-01445A-02-0619	Rate Increase

RESUME OF RATE CASE AND REGULATORY PARTICIPATION (Cont.)

Utility Company	Docket No.	Type of Proceeding
Arizona-American Water Company	W-01303A-02-0867 et al.	Rate Increase
Arizona Public Service Company	E-01345A-03-0437	Rate Increase
Rio Rico Utilities, Inc.	WS-02676A-03-0434	Rate Increase
Qwest Corporation	T-01051B-03-0454	Renewed Price Cap
Chaparral City Water Company	W-02113A-04-0616	Rate Increase
Arizona Water Company	W-01445A-04-0650	Rate Increase
Tucson Electric Power	E-01933A-04-0408	Rate Review
Southwest Gas Corporation	G-01551A-04-0876	Rate Increase
Arizona-American Water Company	W-01303A-05-0405	Rate Increase
Black Mountain Sewer Corporation	SW-02361A-05-0657	Rate Increase
Far West Water & Sewer Company	WS-03478A-05-0801	Rate Increase
Gold Canyon Sewer Company	SW-02519A-06-0015	Rate Increase
Arizona Public Service Company	E-01345A-05-0816	Rate Increase
Arizona-American Water Company	W-01303A-05-0718	Transaction Approval
Arizona-American Water Company	W-01303A-05-0405	ACRM Filing
Arizona-American Water Company	W-01303A-06-0014	Rate Increase
UNS Gas, Inc.	G-04204A-06-0463	Rate Increase
Arizona-American Water Company	WS-01303A-06-0491	Rate Increase
UNS Electric, Inc.	E-04204A-06-0783	Rate Increase
Arizona-American Water Company	W-01303A-07-0209	Rate Increase
Tucson Electric Power	E-01933A-07-0402	Rate Increase
Southwest Gas Corporation	G-01551A-07-0504	Rate Increase
Chaparral City Water Company	W-02113A-07-0551	Rate Increase
Arizona Public Service Company	E-01345A-08-0172	Rate Increase
Johnson Utilities, LLC	WS-02987A-08-0180	Rate Increase
Arizona-American Water Company	W-01303A-08-0227 et al.	Rate Increase

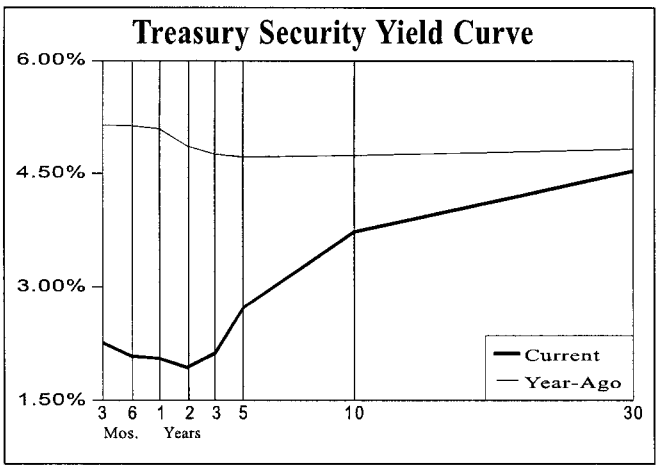
RESUME OF RATE CASE AND REGULATORY PARTICIPATION (Cont.)

Utility Company	Docket No.	Type of Proceeding
UNS Gas, Inc.	G-04204A-08-0571	Rate Increase
Arizona Water Company	W-01445A-08-0440	Rate Increase
Far West Water & Sewer Company	WS-03478A-08-0608	Interim Rate Increase
Black Mountain Sewer Corporation	SW-02361A-08-0609	Rate Increase
Global Utilities	SW-02445A-09-0077 et al.	Rate Increase
Litchfield Park Service Company	SW-01428A-09-0104 et al.	Rate Increase
UNS Electric, Inc.	E-04204A-09-0206	Rate Increase
Rio Rico Utilities, Inc.	WS-02676A-08-09-0257	Rate Increase
Arizona-American Water Company	W-01303A-09-0343	Rate Increase
Bella Vista Water Company	W-02465A-09-0411 et al.	Rate Increase
Chaparral City Water Company	W-02113A-10-0309	Reorganization
Qwest Communications International	T-04190A-10-0194 et al.	Merger
CenturyLink, Inc.	T-04190A-10-0194 et al.	Merger

EXHIBIT 1

Selected Yields

	Recent (2/13/08)	3 Months Ago (11/14/07)	Year Ago (2/14/07)
TAXABLE			
Market Rates			
Discount Rate	3.50	5.00	6.25
Federal Funds	3.00	4.50	5.25
Prime Rate	6.00	7.50	8.25
30-day CP (A1/P1)	3.00	4.56	5.23
3-month LIBOR	3.07	4.88	5.36
Bank CDs			
6-month	2.15	2.83	3.27
1-year	2.34	3.54	3.86
5-year	2.85	3.89	3.91
U.S. Treasury Securities			
3-month	2.26	3.39	5.15
6-month	2.09	3.68	5.14
1-year	2.06	3.68	5.10
5-year	2.73	3.82	4.72
10-year	3.73	4.25	4.74
10-year (inflation-protected)	1.34	1.86	2.39
30-year	4.54	4.60	4.83
30-year Zero	4.65	4.62	4.76



	Recent (2/13/08)	3 Months Ago (11/14/07)	Year Ago (2/14/07)
Mortgage-Backed Securities			
GNMA 6.5%	4.46	5.53	5.72
FHLMC 6.5% (Gold)	5.10	5.73	5.82
FNMA 6.5%	4.71	5.51	5.74
FNMA ARM	5.18	5.90	5.62
Corporate Bonds			
Financial (10-year) A	5.78	5.95	5.52
Industrial (25/30-year) A	6.29	5.98	5.77
Utility (25/30-year) A	6.20	6.09	5.77
Utility (25/30-year) Baa/BBB	6.35	6.18	6.02
Foreign Bonds (10-Year)			
Canada	3.87	4.21	4.15
Germany	3.96	4.15	4.10
Japan	1.43	1.53	1.74
United Kingdom	4.62	4.74	4.95
Preferred Stocks			
Utility A	6.13	6.43	6.14
Financial A	7.00	7.58	6.43
Financial Adjustable A	5.51	5.51	5.51
TAX-EXEMPT			
Bond Buyer Indexes			
20-Bond Index (GOs)	4.33	4.54	4.21
25-Bond Index (Revs)	4.72	4.85	4.53
General Obligation Bonds (GOs)			
1-year Aaa	1.05	3.30	3.60
1-year A	1.15	3.40	3.70
5-year Aaa	2.67	3.44	3.63
5-year A	2.77	3.74	3.72
10-year Aaa	3.40	3.83	3.78
10-year A	3.60	4.13	4.30
25/30-year Aaa	4.36	4.55	4.08
25/30-year A	4.56	4.75	4.39
Revenue Bonds (Revs) (25/30-Year)			
Education AA	4.60	4.75	4.49
Electric AA	4.65	4.85	4.48
Housing AA	4.80	4.95	4.54
Hospital AA	4.85	4.95	4.55
Toll Road Aaa	4.65	4.85	4.49

Federal Reserve Data

BANK RESERVES

(Two-Week Period; in Millions, Not Seasonally Adjusted)

	Recent Levels			Average Levels Over the Last...		
	1/30/08	1/16/08	Change	12 Wks.	26 Wks.	52 Wks.
Excess Reserves	1458	1712	-254	1700	2144	1861
Borrowed Reserves	390	1377	-987	1699	1291	729
Net Free/Borrowed Reserves	1068	335	733	1	854	1132

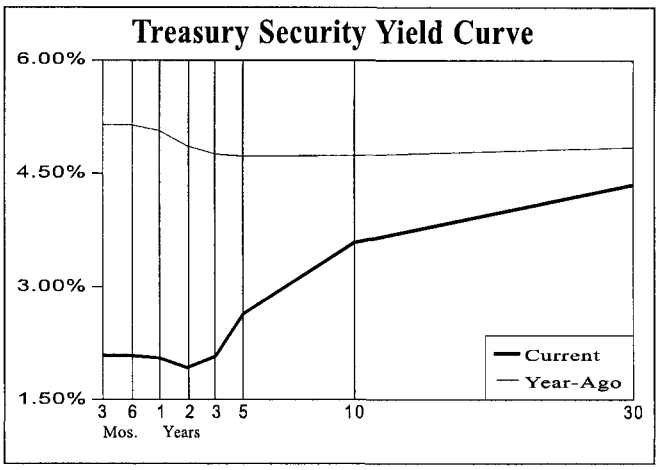
MONEY SUPPLY

(One-Week Period; in Billions, Seasonally Adjusted)

	Recent Levels			Growth Rates Over the Last...		
	1/28/08	1/21/08	Change	3 Mos.	6 Mos.	12 Mos.
M1 (Currency+demand deposits)	1362.3	1372.1	-9.8	-2.1%	-1.0%	-1.0%
M2 (M1+savings+small time deposits)	7529.2	7491.6	37.6	6.8%	6.9%	6.0%

Selected Yields

	Recent (2/06/08)	3 Months Ago (11/07/07)	Year Ago (2/07/07)
TAXABLE			
Market Rates			
Discount Rate	3.50	5.00	6.25
Federal Funds	3.00	4.50	5.25
Prime Rate	6.00	7.50	8.25
30-day CP (A1/P1)	3.04	4.53	5.24
3-month LIBOR	3.13	4.90	5.36
Bank CDs			
6-month	2.30	2.83	3.27
1-year	2.39	3.55	3.86
5-year	2.86	3.90	3.91
U.S. Treasury Securities			
3-month	2.09	3.44	5.15
6-month	2.09	3.73	5.15
1-year	2.06	3.83	5.07
5-year	2.65	3.88	4.73
10-year	3.59	4.31	4.74
10-year (inflation-protected)	1.26	1.91	2.38
30-year	4.36	4.65	4.85
30-year Zero	4.40	4.66	4.80
Mortgage-Backed Securities			
GNMA 6.5%	4.31	5.53	5.72
FHLMC 6.5% (Gold)	4.68	5.75	5.82
FNMA 6.5%	4.21	5.58	5.76
FNMA ARM	5.19	5.90	5.62
Corporate Bonds			
Financial (10-year) A	5.54	5.81	5.56
Industrial (25/30-year) A	6.12	5.89	5.79
Utility (25/30-year) A	6.02	6.07	5.81
Utility (25/30-year) Baa/BBB	6.20	6.15	6.07
Foreign Bonds (10-Year)			
Canada	3.79	4.28	4.11
Germany	3.90	4.15	4.03
Japan	1.43	1.57	1.74
United Kingdom	4.46	4.83	4.96
Preferred Stocks			
Utility A	6.09	6.38	6.14
Financial A	6.95	7.84	6.44
Financial Adjustable A	5.51	5.51	5.51



	Recent (2/06/08)	3 Months Ago (11/07/07)	Year Ago (2/07/07)
TAX-EXEMPT			
Bond Buyer Indexes			
20-Bond Index (GOs)	4.39	4.40	4.31
25-Bond Index (Revs)	4.76	4.73	4.59
General Obligation Bonds (GOs)			
1-year Aaa	1.65	3.30	3.60
1-year A	1.75	3.34	3.70
5-year Aaa	2.66	3.46	3.62
5-year A	2.96	3.76	3.90
10-year Aaa	3.34	3.84	3.76
10-year A	3.63	4.14	4.17
25/30-year Aaa	4.26	4.52	4.10
25/30-year A	4.39	4.67	4.42
Revenue Bonds (Revs) (25/30-Year)			
Education AA	4.40	4.72	4.48
Electric AA	4.40	4.72	4.41
Housing AA	4.70	4.95	4.65
Hospital AA	4.80	4.90	4.65
Toll Road Aaa	4.45	4.72	4.52

Federal Reserve Data

BANK RESERVES

(Two-Week Period; in Millions, Not Seasonally Adjusted)

	Recent Levels			Average Levels Over the Last...		
	1/30/08	1/16/08	Change	12 Wks.	26 Wks.	52 Wks.
Excess Reserves	1460	1710	-250	1701	2145	1861
Borrowed Reserves	390	1377	-987	1699	1291	729
Net Free/Borrowed Reserves	1070	333	737	2	854	1133

MONEY SUPPLY

(One-Week Period; in Billions, Seasonally Adjusted)

	Recent Levels			Growth Rates Over the Last...		
	1/21/08	1/14/08	Change	3 Mos.	6 Mos.	12 Mos.
M1 (Currency+demand deposits)	1372.3	1345.8	26.5	1.2%	0.6%	-0.0%
M2 (M1+savings+small time deposits)	7491.7	7441.3	50.4	6.6%	5.9%	5.7%

EXHIBIT 2

GOODMAN WATER COMPANY
2010 RATE CASE
DOCKET NO. W-02500A-10-0382
RESPONSE TO WAWRZYNIAK'S SECOND SET OF DATA REQUESTS

Response provided by: Jim Shiner

Title: President

Company Name: Goodman Water Company
Address: 6340 N. Campbell, Suite 278
Tucson, Arizona 85718

Company Response Number: 2.11

Q. Please provide an explanation as to whether or not Goodman Water Company sought to borrow funds from the Water Infrastructure Finance Authority for construction expansions to its water system, and if the water company did not seek financing from WIFA, why it did not do this.

A. In March 2009, the Company contacted WIFA and subsequently obtained a WIFA loan application along with the WIFA program requirements. After a review of the WIFA requirements and conditions, and discussions with others, including the Company's attorney at the time, Jackie Ziliox, Thomas Bourassa, CPA, and Alexander Sears, the decision was made to not file a loan application with WIFA. A number of factors influenced the decision not to pursue this avenue of possible funding. They included: the WIFA plant replacement reserve requirements; the WIFA debt reserve requirements; the potential for restrictions on issuing dividends; the encumbrance of water plant assets; the costs for legal, accounting, engineering and other costs related to obtaining WIFA financing; the "Buy America" stipulation (which the Company believed was too burdensome and would result in higher material costs); and, the WIFA monitoring and reporting requirements. Further, the nature of the plant being funded, the size of the request for funds, and the perceived availability of WIFA funds also had a bearing on the Company's final decision.

GOODMAN WATER COMPANY
2010 RATE CASE
DOCKET NO. W-02500A-10-0382
RESPONSE TO WAWRZYNIAK'S FOURTH SET OF DATA REQUESTS

Response provided by: Jim Shiner

Title: President

Company Name: Goodman Water Company
Address: 6340 N. Campbell, Suite 278
Tucson, Arizona 85718

Company Response Number: 4.03

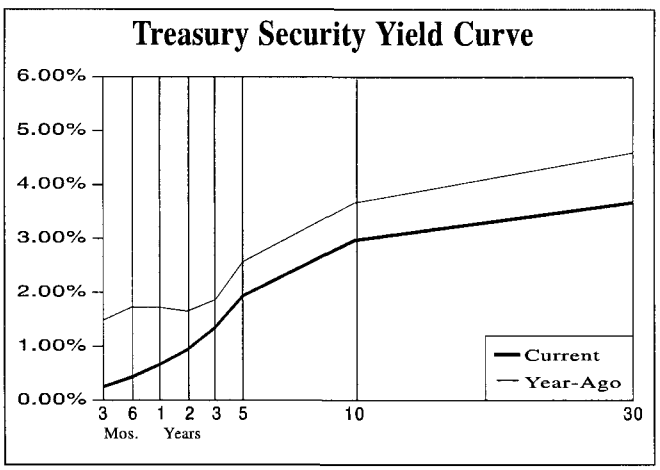
Q. Please provide a narrative explaining the relationship between E.C. Development, Inc. listing its principle stockholders and Goodman Water Company.

A. Alexander Sears owns approximately 67 percent of the stock in E.C. Development and Jim Shiner owns approximately 33 percent of the stock in E.C. Development. Both Mr. Sears and Mr. Shiner are stockholders in Goodman Water Company. Please also see response to RUCO data request 1.11.

EXHIBIT 3

Selected Yields

	Recent (3/04/09)	3 Months Ago (12/03/08)	Year Ago (3/05/08)
TAXABLE			
Market Rates			
Discount Rate	0.50	1.25	3.50
Federal Funds	0.00-0.25	1.00	3.00
Prime Rate	3.25	4.00	6.00
30-day CP (A1/P1)	0.79	1.50	2.97
3-month LIBOR	1.28	2.20	3.00
Bank CDs			
6-month	0.84	1.57	2.16
1-year	1.04	1.95	2.16
5-year	2.07	3.32	3.16
U.S. Treasury Securities			
3-month	0.25	0.01	1.49
6-month	0.43	0.28	1.72
1-year	0.66	0.64	1.72
5-year	1.94	1.58	2.57
10-year	2.97	2.62	3.67
10-year (inflation-protected)	2.03	2.91	1.02
30-year	3.67	3.12	4.60
30-year Zero	3.55	3.02	4.78
Mortgage-Backed Securities			
GNMA 6.5%	4.19	5.66	4.80
FHLMC 6.5% (Gold)	4.13	5.46	5.36
FNMA 6.5%	4.15	5.26	5.02
FNMA ARM	3.60	4.24	5.05
Corporate Bonds			
Financial (10-year) A	8.50	8.09	5.96
Industrial (25/30-year) A	6.23	6.70	6.35
Utility (25/30-year) A	5.93	6.83	6.26
Utility (25/30-year) Baa/BBB	7.16	7.58	6.39
Foreign Bonds (10-Year)			
Canada	3.02	3.16	3.64
Germany	3.14	3.04	3.86
Japan	1.31	1.39	1.38
United Kingdom	3.64	3.43	4.48
Preferred Stocks			
Utility A	7.62	6.75	6.26
Financial A	12.59	7.75	7.60
Financial Adjustable A	5.53	5.53	5.53



	Recent (3/04/09)	3 Months Ago (12/03/08)	Year Ago (3/05/08)
TAX-EXEMPT			
Bond Buyer Indexes			
20-Bond Index (GOs)	4.87	5.39	5.11
25-Bond Index (Revs)	5.76	6.06	5.22
General Obligation Bonds (GOs)			
1-year Aaa	0.57	1.05	2.25
1-year A	0.67	1.15	2.35
5-year Aaa	2.30	2.95	3.30
5-year A	2.90	3.05	3.60
10-year Aaa	3.29	4.09	4.11
10-year A	3.79	4.29	4.40
25/30-year Aaa	4.86	5.48	5.10
25/30-year A	5.86	5.88	5.23
Revenue Bonds (Revs) (25/30-Year)			
Education AA	5.90	6.05	5.30
Electric AA	6.00	6.10	5.30
Housing AA	6.25	6.25	5.60
Hospital AA	6.20	6.20	5.70
Toll Road Aaa	6.05	6.15	5.30

Federal Reserve Data

BANK RESERVES

(Two-Week Period; in Millions, Not Seasonally Adjusted)

	Recent Levels			Average Levels Over the Last...		
	2/25/09	2/11/09	Change	12 Wks.	26 Wks.	52 Wks.
Excess Reserves	673413	611393	62020	726280	467369	243400
Borrowed Reserves	588910	561332	27578	607990	535429	344398
Net Free/Borrowed Reserves	84503	50061	34442	118290	-68061	-100998

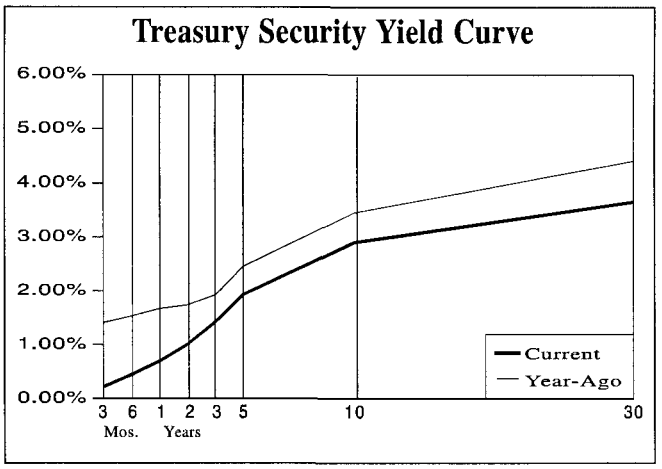
MONEY SUPPLY

(One-Week Period; in Billions, Seasonally Adjusted)

	Recent Levels			Growth Rates Over the Last...		
	2/16/09	2/9/09	Change	3 Mos.	6 Mos.	12 Mos.
M1 (Currency+demand deposits)	1558.9	1570.2	-11.3	12.1%	26.9%	14.1%
M2 (M1+savings+small time deposits)	8280.2	8264.1	16.1	17.5%	16.2%	10.0%

Selected Yields

	Recent (3/11/09)	3 Months Ago (12/10/08)	Year Ago (3/12/08)
TAXABLE			
Market Rates			
Discount Rate	0.50	1.25	3.50
Federal Funds	0.00-0.25	1.00	3.00
Prime Rate	3.25	4.00	6.00
30-day CP (A1/P1)	0.75	0.86	2.84
3-month LIBOR	1.33	2.10	2.85
Bank CDs			
6-month	0.84	1.57	2.17
1-year	1.05	1.95	2.17
5-year	2.07	3.32	3.16
U.S. Treasury Securities			
3-month	0.22	0.01	1.41
6-month	0.45	0.20	1.53
1-year	0.70	0.47	1.67
5-year	1.94	1.61	2.46
10-year	2.91	2.68	3.46
10-year (inflation-protected)	2.01	3.11	0.84
30-year	3.66	3.09	4.41
30-year Zero	3.56	2.90	4.57



	Recent (3/11/09)	3 Months Ago (12/10/08)	Year Ago (3/12/08)
Mortgage-Backed Securities			
GNMA 6.5%	4.21	5.17	5.02
FHLMC 6.5% (Gold)	3.58	4.92	5.04
FNMA 6.5%	3.73	4.75	4.94
FNMA ARM	3.60	4.24	5.07
Corporate Bonds			
Financial (10-year) A	7.38	8.29	6.05
Industrial (25/30-year) A	6.18	6.63	6.14
Utility (25/30-year) A	6.05	6.79	6.08
Utility (25/30-year) Baa/BBB	7.50	7.55	6.27
Foreign Bonds (10-Year)			
Canada	2.92	3.09	3.53
Germany	3.07	3.21	3.77
Japan	1.32	1.42	1.35
United Kingdom	3.09	3.57	4.42
Preferred Stocks			
Utility A	6.96	6.47	6.61
Financial A	11.44	7.38	7.83
Financial Adjustable A	5.46	5.46	5.46
TAX-EXEMPT			
Bond Buyer Indexes			
20-Bond Index (GOs)	4.96	5.58	4.92
25-Bond Index (Revs)	5.80	6.17	5.11
General Obligation Bonds (GOs)			
1-year Aaa	0.57	0.95	2.05
1-year A	0.67	1.05	2.20
5-year Aaa	2.30	2.95	2.83
5-year A	2.55	3.00	2.93
10-year Aaa	3.30	4.20	3.66
10-year A	3.83	4.40	3.86
25/30-year Aaa	4.87	5.79	4.85
25/30-year A	5.91	6.17	5.04
Revenue Bonds (Revs) (25/30-Year)			
Education AA	5.90	6.00	5.05
Electric AA	5.95	5.95	5.10
Housing AA	6.25	6.75	5.35
Hospital AA	6.30	6.65	5.40
Toll Road Aaa	6.00	6.10	5.10

Federal Reserve Data

BANK RESERVES

(Two-Week Period; in Millions, Not Seasonally Adjusted)

	Recent Levels			Average Levels Over the Last...		
	2/25/09	2/11/09	Change	12 Wks.	26 Wks.	52 Wks.
Excess Reserves	673432	611407	62025	726285	467371	243401
Borrowed Reserves	588910	561332	27578	607990	535429	344398
Net Free/Borrowed Reserves	84522	50075	34447	118295	-68058	-100997

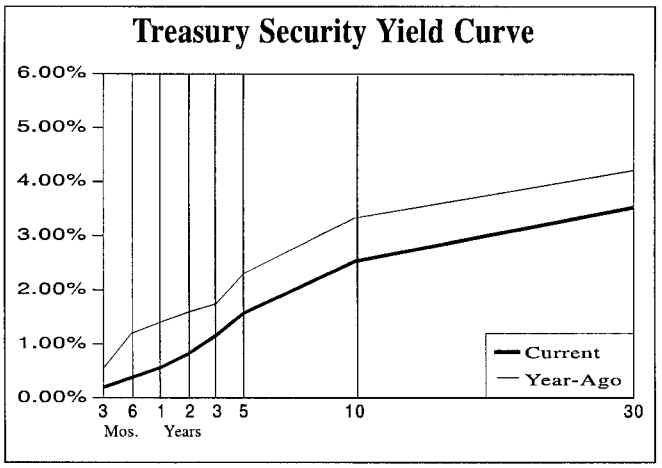
MONEY SUPPLY

(One-Week Period; in Billions, Seasonally Adjusted)

	Recent Levels			Growth Rates Over the Last...		
	2/23/09	2/16/09	Change	3 Mos.	6 Mos.	12 Mos.
M1 (Currency+demand deposits)	1545.0	1558.4	-13.4	3.6%	23.6%	13.2%
M2 (M1+savings+small time deposits)	8274.5	8280.2	-5.7	14.5%	15.8%	9.5%

Selected Yields

	Recent (3/18/09)	3 Months Ago (12/17/08)	Year Ago (3/19/08)
TAXABLE			
Market Rates			
Discount Rate	0.50	0.50	2.50
Federal Funds	0.00-0.25	0.00-0.25	2.25
Prime Rate	3.25	3.25	5.25
30-day CP (A1/P1)	0.49	0.27	2.65
3-month LIBOR	1.29	1.58	2.60
Bank CDs			
6-month	0.84	1.46	2.15
1-year	1.05	1.89	2.16
5-year	2.07	2.96	3.12
U.S. Treasury Securities			
3-month	0.20	0.01	0.56
6-month	0.38	0.18	1.20
1-year	0.56	0.45	1.40
5-year	1.57	1.37	2.30
10-year	2.53	2.19	3.33
10-year (inflation-protected)	1.31	2.39	0.90
30-year	3.53	2.65	4.21
30-year Zero	3.54	2.69	4.35
Mortgage-Backed Securities			
GNMA 6.5%	3.59	4.40	4.70
FHLMC 6.5% (Gold)	3.15	4.40	4.96
FNMA 6.5%	3.28	4.04	4.62
FNMA ARM	3.60	4.23	5.07
Corporate Bonds			
Financial (10-year) A	7.52	7.50	5.89
Industrial (25/30-year) A	6.07	6.18	5.87
Utility (25/30-year) A	5.90	6.26	5.96
Utility (25/30-year) Baa/BBB	7.51	7.09	6.14
Foreign Bonds (10-Year)			
Canada	2.70	2.87	3.45
Germany	3.22	2.99	3.76
Japan	1.31	1.30	1.28
United Kingdom	3.11	3.23	4.31
Preferred Stocks			
Utility A	6.25	6.50	6.34
Financial A	9.76	8.23	7.91
Financial Adjustable A	5.47	5.47	5.47



	Recent (3/18/09)	3 Months Ago (12/17/08)	Year Ago (3/19/08)
TAX-EXEMPT			
Bond Buyer Indexes			
20-Bond Index (GOs)	5.03	5.85	4.94
25-Bond Index (Revs)	5.83	6.39	5.15
General Obligation Bonds (GOs)			
1-year Aaa	0.57	0.95	1.80
1-year A	0.67	1.05	1.90
5-year Aaa	2.39	2.86	2.87
5-year A	2.99	2.96	3.17
10-year Aaa	3.45	4.03	3.73
10-year A	3.95	4.23	4.02
25/30-year Aaa	4.98	5.51	4.92
25/30-year A	5.98	5.91	5.05
Revenue Bonds (Revs) (25/30-Year)			
Education AA	6.00	6.10	5.10
Electric AA	6.10	6.15	5.10
Housing AA	6.35	6.30	5.40
Hospital AA	6.30	6.25	5.50
Toll Road Aaa	6.15	6.20	5.10

Federal Reserve Data

BANK RESERVES

(Two-Week Period; in Millions, Not Seasonally Adjusted)

	Recent Levels			Average Levels Over the Last...		
	3/11/09	2/25/09	Change	12 Wks.	26 Wks.	52 Wks.
Excess Reserves	621517	673431	-51914	730878	511645	266367
Borrowed Reserves	630177	588910	41267	601461	568436	365508
Net Free/Borrowed Reserves	-8660	84521	-93181	129418	-56791	-99141

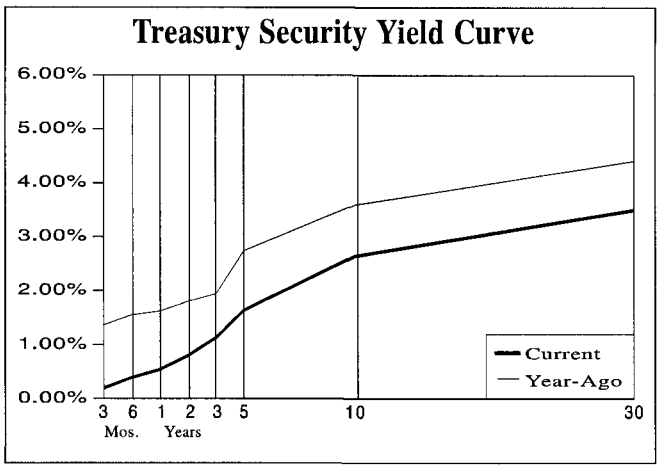
MONEY SUPPLY

(One-Week Period; in Billions, Seasonally Adjusted)

	Recent Levels			Growth Rates Over the Last...		
	3/2/09	2/23/09	Change	3 Mos.	6 Mos.	12 Mos.
M1 (Currency+demand deposits)	1562.3	1544.8	17.5	8.2%	26.0%	12.6%
M2 (M1+savings+small time deposits)	8304.0	8274.2	29.8	13.6%	16.3%	9.8%

Selected Yields

	Recent (4/01/09)	3 Months Ago (12/30/08)	Year Ago (4/02/08)
TAXABLE			
Market Rates			
Discount Rate	0.50	0.50	2.50
Federal Funds	0.00-0.25	0.00-0.25	2.25
Prime Rate	3.25	3.25	5.25
30-day CP (A1/P1)	0.44	0.06	2.67
3-month LIBOR	1.18	1.44	2.70
Bank CDs			
6-month	0.83	1.16	1.78
1-year	1.04	1.43	1.76
5-year	2.06	2.51	2.87
U.S. Treasury Securities			
3-month	0.20	0.09	1.37
6-month	0.39	0.24	1.55
1-year	0.54	0.31	1.62
5-year	1.64	1.44	2.74
10-year	2.65	2.05	3.60
10-year (inflation-protected)	1.32	2.33	1.12
30-year	3.50	2.56	4.41
30-year Zero	3.52	2.42	4.48



	Recent (4/01/09)	3 Months Ago (12/30/08)	Year Ago (4/02/08)
Mortgage-Backed Securities			
GNMA 6.5%	3.53	4.11	4.81
FHLMC 6.5% (Gold)	3.12	4.03	5.05
FNMA 6.5%	3.04	3.89	4.79
FNMA ARM	3.15	4.22	4.67
Corporate Bonds			
Financial (10-year) A	7.49	7.08	6.30
Industrial (25/30-year) A	6.17	5.90	6.07
Utility (25/30-year) A	5.99	5.85	6.16
Utility (25/30-year) Baa/BBB	7.41	6.58	6.25
Foreign Bonds (10-Year)			
Canada	2.78	2.66	3.63
Germany	2.99	2.95	3.99
Japan	1.35	1.17	1.37
United Kingdom	3.13	3.09	4.43
Preferred Stocks			
Utility A	6.74	6.00	6.16
Financial A	9.90	7.89	6.74
Financial Adjustable A	5.48	5.48	5.48
TAX-EXEMPT			
Bond Buyer Indexes			
20-Bond Index (GOs)	5.00	5.46	4.96
25-Bond Index (Revs)	5.78	6.22	5.24
General Obligation Bonds (GOs)			
1-year Aaa	0.50	0.85	1.60
1-year A	0.60	0.95	1.70
5-year Aaa	2.08	2.57	3.00
5-year A	2.33	2.87	3.10
10-year Aaa	3.20	3.70	3.79
10-year A	3.73	4.20	4.00
25/30-year Aaa	4.79	5.17	4.91
25/30-year A	5.83	6.15	5.11
Revenue Bonds (Revs) (25/30-Year)			
Education AA	5.80	6.15	5.20
Electric AA	5.85	6.20	5.25
Housing AA	6.15	6.50	5.35
Hospital AA	6.20	6.55	5.40
Toll Road Aaa	5.90	6.25	5.25

Federal Reserve Data

BANK RESERVES

(Two-Week Period; in Millions, Not Seasonally Adjusted)

	Recent Levels			Average Levels Over the Last...		
	3/25/09	3/11/09	Change	12 Wks.	26 Wks.	52 Wks.
Excess Reserves	771194	621518	149676	730364	566544	294864
Borrowed Reserves	604849	630177	-25328	591508	599533	385679
Net Free/Borrowed Reserves	166345	-8659	175004	138856	-32990	-90815

MONEY SUPPLY

(One-Week Period; in Billions, Seasonally Adjusted)

	Recent Levels			Growth Rates Over the Last...		
	3/16/09	3/9/09	Change	3 Mos.	6 Mos.	12 Mos.
M1 (Currency+demand deposits)	1565.6	1577.1	-11.5	-8.4%	19.8%	14.4%
M2 (M1+savings+small time deposits)	8376.2	8342.9	33.3	12.1%	18.2%	10.2%

ATTACHMENT A

Each of the water utility companies included in our *Survey* strung together a better-than-expected third-quarter showing. (None of the entities in this group released December-period results at the time this Issue went to press.) Indeed, all managed to report earnings advances, with three of the four nearing the 20% mark. Double-digit revenue growth was commonplace, as regulatory bodies continued to take a more business friendly approach when handing down decisions on general rate cases.

The recent earnings momentum is probably not sustainable, however. Growth will likely slow considerably for most, as growing infrastructure expenses and the costs associated with them (see below) are poised to erase the benefits of the top-line advances mentioned above and pressure margins. Water systems in the United States are aging and demand tremendous capital investment to be repaired or replaced in order to adequately meet EPA and state guidelines.

Even still, the group does have its merits. The income component that accompanies most stocks here provides some stability, a welcomed component in times of economic uncertainty, which we continue to endure. As such, some of the water utility offerings have continued to trade upwards since our October review and the group, as a whole, still ranks towards the top of the *Value Line Investment Survey* for Timeliness. Note that our presentation no longer includes *Southwest Water*, which was acquired late last year.

Unquenchable Demand

There is no question, water is one of, if not, the most essential parts of life. It is a necessary part of nearly every creature and plants diet, and thus is in the highest demand. As such, delivery of this liquid is almost as crucial, with water utilities responsible for safe and timely delivery of water to millions of Americans daily. Absent a miraculous discovery, demand for water will continue to grow along with the population, creating the most opportune operating environment for providers in this space.

Refreshingly Better Regulatory Environment

With most providers operating state-to-state, regulatory boards have been put in place to maintain a balance of power between providers and customers. As such, the stance taken by each authority plays a vital role in the financial health of providers, reviewing and ruling on general rate requests made by utilities to help recover costs. Long-time antagonists to utilities, many boards have become more business friendly in recent years, auguring well for corporations across state lines.

INDUSTRY TIMELINESS: 17 (of 98)

Overflowing Expenses

Even with more friendly state regulators in place, the industry has some issues threatening to pressure profits. Infrastructures are decaying rapidly and, in many cases, need complete overhauls. The costs to make the repairs are astronomical and many operating in this space do not have the funds on hand to foot the bill. Indeed, most are strapped for cash and will have to look to outside financiers to keep up. Although consolidation trends present unique opportunities for those with the financial capabilities to throw their hat in the ring, such as *Aqua America*, others are just trying to stay afloat. Unfortunately, the financing costs to stay in business, whether it be additional share or debt offerings, will probably drown most and dilute shareholder gains moving ahead.

Conclusion

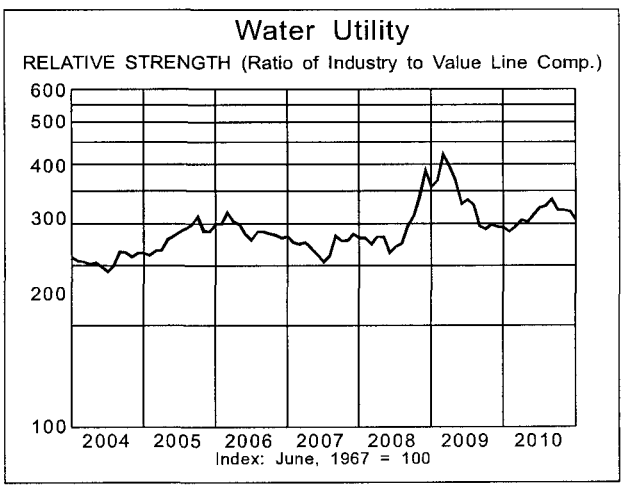
There have been some solid performers in this group of late and *Aqua America* and *American Water Works* are favorably ranked for Timeliness as a result. That said, the group has historically been a market laggard in terms of growth and only the latter stands out for 3- to 5-year price appreciation potential, given the infrastructure and financing costs likely to mount over the next few years. Nevertheless, *Aqua America*'s aggressive disposition on the acquisition front and its venture into the solar power venue, though still early, may well interest some more aggressive accounts.

Although the dividend yields may pique the interest of those looking for some shelter, there are better income vehicles available to be had in the Electric Utility industry. As always, we advise potential investors to take a more thorough look at the individual stocks before making any monetary commitments.

Andre J. Costanza

Composite Statistics: Water Utility Industry

2006	2007	2008	2009	2010	2011		13-15
3229.9	3485.2	3692.9	3921.6	*4345*	*4625*	Revenues ($mill)	*5400*
d15.1	d188.1	351.7	384.4	*485*	*525*	Net Profit ($mill)	*650*
NMF	NMF	38.1%	38.7%	*39.5%*	*39.0%*	Income Tax Rate	*39.0%*
NMF	NMF	1.5%	1.1%	*7.0%*	*8.0%*	AFUDC % to Net Profit	*10.0%*
54.3%	51.1%	52.3%	55.5%	*55.5%*	*55.5%*	Long-Term Debt Ratio	*55.0%*
45.7%	48.9%	47.7%	44.5%	*44.5%*	*44.5%*	Common Equity Ratio	*45.0%*
11821.6	12684.9	12324.3	13244.4	*13810*	*14350*	Total Capital ($mill)	*15750*
12918.6	13897.2	14296.8	15815.6	*16465*	*17150*	Net Plant ($mill)	*19250*
1.6%	.2%	4.4%	4.4%	*6.0%*	*6.0%*	Return on Total Cap'l	*7.0%*
NMF	NMF	6.0%	6.5%	*8.0%*	*8.0%*	Return on Shr. Equity	*9.0%*
NMF	NMF	6.0%	6.5%	*8.0%*	*8.0%*	Return on Com Equity	*9.0%*
NMF	NMF	3.0%	2.2%	*3.5%*	*3.5%*	Retained to Com Eq	*4.5%*
NMF	NMF	50%	66%	*57%*	*54%*	All Div'ds to Net Prof	*52%*
NMF	NMF	20.4	18.9	*Bold figures are Value Line estimates*		Avg Ann'l P/E Ratio	*20.0*
NMF	NMF	1.23	1.26			Relative P/E Ratio	*1.35*
2.0%	2.3%	2.4%	3.5%			Avg Ann'l Div'd Yield	*2.5%*



AMER. STATES WATER NYSE-AWR

RECENT PRICE 34.90 | P/E RATIO 13.4 (Trailing: 20.3 Median: 22.0) | RELATIVE P/E RATIO 0.80 | DIV'D YLD 3.0% | VALUE LINE

TIMELINESS 3 Raised 11/19/10
SAFETY 3 New 2/4/00
TECHNICAL 3 Lowered 1/7/11
BETA .80 (1.00 = Market)

2013-15 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	60	(+70%)	17%
Low	40	(+15%)	6%

Insider Decisions

	F	M	A	M	J	J	A	S	O
to Buy	0	0	0	0	0	0	2	0	0
Options	0	0	1	1	0	0	0	0	1
to Sell	0	0	1	1	0	0	0	1	1

Institutional Decisions

	1Q2010	2Q2010	3Q2010
to Buy	37	46	53
to Sell	55	55	47
Hld's(000)	8867	10863	11195

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
High:	26.5	25.3	26.4	29.0	29.0	26.8	34.6	43.8	46.1	42.0	38.8	39.6						
Low:	14.8	16.7	19.0	20.3	21.6	20.8	24.3	30.3	33.6	27.0	29.8	31.2						

LEGENDS
1.25 x Dividends p sh divided by Interest Rate
Relative Price Strength
3-for-2 split 6/02
Options: No
Shaded areas indicate recessions

Target Price Range 2013 | 2014 | 2015

% TOT. RETURN 12/10

	THIS STOCK	VL ARITH. INDEX
1 yr.	0.3	26.8
3 yr.	-0.2	27.6
5 yr.	28.2	49.5

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	© VALUE LINE PUB. LLC	13-15
	10.43	11.03	11.37	11.44	11.02	12.91	12.17	13.06	13.78	13.98	13.61	14.06	15.76	17.49	18.42	19.48	*22.50*	*22.90*	Revenues per sh	*25.00*
	1.68	1.75	1.75	1.85	2.04	2.26	2.20	2.53	2.54	2.08	2.23	2.64	2.89	3.31	3.37	3.40	*4.20*	*4.35*	"Cash Flow" per sh	*4.85*
	.95	1.03	1.13	1.04	1.08	1.19	1.28	1.35	1.34	.78	1.05	1.32	1.33	1.62	1.55	1.62	*2.33*	*2.45*	Earnings per sh [A]	*2.70*
	.80	.81	.82	.83	.84	.85	.86	.87	.87	.88	.89	.90	.91	.96	1.00	1.01	1.04	*1.08*	Div'd Decl'd per sh [B■]	*1.24*
	2.43	2.19	2.40	2.58	3.11	4.30	3.03	3.18	2.68	3.76	5.03	4.24	3.91	2.89	4.45	4.18	*4.05*	*4.20*	Cap'l Spending per sh	*4.75*
	10.07	10.29	11.01	11.24	11.48	11.82	12.74	13.22	14.05	13.97	15.01	15.72	16.64	17.53	17.95	19.39	*20.55*	*21.30*	Book Value per sh	*22.50*
	11.77	11.77	13.33	13.44	13.44	13.44	15.12	15.12	15.18	15.21	16.75	16.80	17.05	17.23	17.30	18.53	*18.75*	*19.00*	Common Shs Outst'g [C]	*20.00*
	12.8	11.6	12.6	14.5	15.5	17.1	15.9	16.7	18.3	31.9	23.2	21.9	27.7	24.0	22.6	21.2	*15.0*		Avg Ann'l P/E Ratio	*19.0*
	.84	.78	.79	.84	.81	.97	1.03	.86	1.00	1.82	1.23	1.17	1.50	1.27	1.36	1.42	*.94*		Relative P/E Ratio	*1.25*
	6.6%	6.7%	5.8%	5.5%	5.0%	4.2%	4.2%	3.9%	3.6%	3.5%	3.6%	3.1%	2.5%	2.5%	2.9%	2.9%	3.0%		Avg Ann'l Div'd Yield	*2.5%*
							184.0	197.5	209.2	212.7	228.0	236.2	268.6	301.4	318.7	361.0	*422*	*435*	Revenues ($mill)	*500*
							18.0	20.4	20.3	11.9	16.5	22.5	23.1	28.0	26.8	29.5	*44.0*	*47.0*	Net Profit ($mill)	*55.0*
							45.7%	43.0%	38.9%	43.5%	37.4%	47.0%	40.5%	42.6%	37.8%	38.9%	*42.0%*	*40.0%*	Income Tax Rate	*39.0%*
							--	--	--	--	--	--	12.2%	8.5%	6.9%	3.2%	*5.0%*	*5.0%*	AFUDC % to Net Profit	*5.0%*
							47.5%	54.9%	52.0%	52.0%	47.7%	50.4%	48.6%	46.9%	46.2%	45.9%	*47.0%*	*46.0%*	Long-Term Debt Ratio	*45.5%*
							51.9%	44.7%	48.0%	48.0%	52.3%	49.6%	51.4%	53.1%	53.8%	54.1%	*53.0%*	*54.0%*	Common Equity Ratio	*54.5%*
							371.1	447.6	444.4	442.3	480.4	532.5	551.6	569.4	577.0	665.0	*720*	*750*	Total Capital ($mill)	*825*
							509.1	539.8	563.3	602.3	664.2	713.2	750.6	776.4	825.3	866.4	*905*	*960*	Net Plant ($mill)	*1150*
							6.4%	6.1%	6.5%	4.6%	5.2%	5.4%	6.0%	6.7%	6.4%	5.9%	*7.5%*	*7.5%*	Return on Total Cap'l	*8.0%*
							9.2%	10.1%	9.5%	5.6%	6.6%	8.5%	8.1%	9.3%	8.6%	8.2%	*11.5%*	*11.5%*	Return on Shr. Equity	*12.0%*
							9.3%	10.1%	9.5%	5.6%	6.6%	8.5%	8.1%	9.3%	8.6%	8.2%	*11.5%*	*11.5%*	Return on Com Equity	*12.0%*
							3.0%	3.6%	3.3%	NMF	1.0%	2.8%	2.7%	3.9%	3.1%	3.2%	*6.5%*	*6.5%*	Retained to Com Eq	*6.5%*
							68%	65%	65%	113%	84%	67%	67%	58%	64%	61%	*44%*	*44%*	All Div'ds to Net Prof	*45%*

CAPITAL STRUCTURE as of 9/30/10
Total Debt $357.5 mill. **Due in 5 Yrs** $64.0 mill.
LT Debt $299.9 mill. **LT Interest** $22.0 mill.
(LT interest earned: 6.1x; total interest coverage: 5.1x) (45% of Cap'l)

Leases, Uncapitalized: Annual rentals $3.2 mill.

Pension Assets-12/09 $74.0 mill.
Oblig. $103.1 mill.

Pfd Stock None.

Common Stock 18,620,355 shs.
as of 11/3/10
MARKET CAP: $650 million (Small Cap)

CURRENT POSITION ($MILL.)	2008	2009	9/30/10
Cash Assets	7.3	1.7	7.7
Other	83.3	94.3	189.0
Current Assets	90.6	96.0	196.7
Accts Payable	36.6	33.9	43.4
Debt Due	75.3	18.1	57.6
Other	25.5	47.7	88.4
Current Liab.	137.4	99.7	189.4
Fix. Chg. Cov.	293%	352%	*400%*

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '07-'09 to '13-'15
Revenues	4.5%	6.0%	*5.0%*
"Cash Flow"	5.0%	8.0%	*6.5%*
Earnings	4.0%	8.5%	*9.0%*
Dividends	1.5%	2.5%	*4.0%*
Book Value	4.5%	5.0%	*3.5%*

Calendar	QUARTERLY REVENUES ($ mill.) Mar.31	Jun. 30	Sep. 30	Dec. 31	Full Year
2007	72.3	79.3	75.8	74.0	301.4
2008	68.9	80.3	85.3	84.2	318.7
2009	79.6	93.6	101.5	86.3	361.0
2010	90.3	95.5	111.3	*124.9*	*422*
2011	*100*	*105*	*120*	*110*	*435*

Calendar	EARNINGS PER SHARE [A] Mar.31	Jun. 30	Sep. 30	Dec. 31	Full Year
2007	.40	.42	.44	.35	1.62
2008	.30	.53	.26	.43	1.55
2009	.28	.64	.52	.18	1.62
2010	.45	.47	.62	.79	*2.33*
2011	*.54*	*.65*	*.68*	*.58*	*2.45*

Calendar	QUARTERLY DIVIDENDS PAID [B■] Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2007	.235	.235	.235	.250	.96
2008	.250	.250	.250	.250	1.00
2009	.250	.250	.250	.260	1.01
2010	.260	.260	.260	.260	1.04
2011					

BUSINESS: American States Water Co. operates as a holding company. Through its principal subsidiary, Golden State Water Company, it supplies water to more than 250,000 customers in 75 communities in 10 counties. Service areas include the greater metropolitan areas of Los Angeles and Orange Counties. The company also provides electric utility services to nearly 23,250 customers in the city of Big Bear Lake and in areas of San Bernardino County. Acquired Chaparral City Water of Arizona (10/00). Has 703 employees. Officers & directors own 2.6% of common stock (4/10 Proxy). Chairman: Lloyd Ross. President & CEO: Robert J. Sprowls. Inc: CA. Addr: 630 East Foothill Boulevard, San Dimas, CA 91773. Tel: 909-394-3600. Internet: www.aswater.com.

American States Water bounced back nicely in the third quarter. The water utility reported earnings of $0.62 a share, 19% better than the year before and well ahead of expectations. (We have excluded $0.27 a share in charges related to the writedown of assets at subsidiary Golden Golden State Water Company that we deem as one-time in nature and thus nonrecurring.) Although operating expenses continued to mount, the top line improved 12%, to $111.3 million, thanks to strength in water, electric, and construction services revenues, with growth of the latter two businesses topping 20%.

A recent regulatory ruling will likely make for favorable comparisons going forward. The California Public Utilities Commission's long-awaited rate-case ruling was handed down prior to the end of 2010, approving rate increases for Region II and III retroactive to January 1st of last year. Revenue increases for 2010 total roughly $32 million. Approximately $10.3 million, or $0.33 per share, will be recorded in the fourth quarter and a surcharge will be implemented to recover the retroactive revenues over a two-year window. December-period results were likely particularly strong versus a weak comparison.

The picture is not as rosy, longer-term, however. Operating costs have continued to rise and are not likely to slow anytime soon, given the necessary repairs that many of the country's watersystems and pipelines require. American will need to make heavy investment in its infrastructure, but does not have sufficient cash on hand to foot the bill. It will have to continue seeking outside financing, which will result in either a higher interest expense or greater share count. Offerings of either variety will temper gains. The company recently priced $100 million in first mortgage bonds in order to pay off short-term debt and finance day-to-day operations, specifically capital projects.

We advise investors to look elsewhere. The stock does not stand out as a growth candidate for either the coming six to 12 months or the next 3- to 5-years, based on the capital requirements we envision. Meanwhile, the dividend, while attractive at first blush, comes up short versus many other utility stocks included in our *Survey*.

Andre J. Costanza *January 21, 2011*

(A) Primary earnings. Excludes nonrecurring gains/(losses): '04, 14¢; '05, 25¢; '06, 6¢; '08, (27¢); '10, (27¢). Next earnings report due early March. Quarterly egs. may not add due to rounding.
(B) Dividends historically paid in early March, June, September, and December. ■ Div'd reinvestment plan available.
(C) In millions, adjusted for split.

Company's Financial Strength	B++
Stock's Price Stability	85
Price Growth Persistence	70
Earnings Predictability	85

CALIFORNIA WATER NYSE-CWT

RECENT PRICE 37.25 | P/E RATIO 18.3 (Trailing: 19.7 Median: 22.0) | RELATIVE P/E RATIO 1.10 | DIV'D YLD 3.2% | VALUE LINE

TIMELINESS 3 Raised 11/5/10
SAFETY 3 Lowered 7/27/07
TECHNICAL 3 Lowered 11/12/10
BETA .70 (1.00 = Market)

2013-15 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	60	(+60%)	15%
Low	40	(+5%)	5%

Insider Decisions

	F	M	A	M	J	J	A	S	O
to Buy	0	18	0	0	0	0	1	0	0
Options	0	0	0	0	0	0	0	2	0
to Sell	0	0	0	1	0	0	0	0	0

Institutional Decisions

	1Q2010	2Q2010	3Q2010
to Buy	59	43	53
to Sell	56	72	53
Hld's(000)	9894	8640	9706

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	© VALUE LINE PUB. LLC	13-15
High:	32.0	31.4	28.6	26.9	31.4	37.9	42.1	45.8	45.4	46.6	48.3	39.7								
Low:	22.6	21.5	22.9	20.5	23.7	26.1	31.2	32.8	34.2	27.7	33.5	33.8								
	12.59	13.17	14.48	15.48	14.76	15.96	16.16	16.26	17.33	16.37	17.18	17.44	16.20	17.76	19.80	21.64	*22.30*	*23.85*	Revenues per sh	*26.40*
	2.02	2.07	2.50	2.92	2.60	2.75	2.52	2.20	2.65	2.51	2.83	3.03	2.71	3.12	3.72	3.87	*4.10*	*4.30*	"Cash Flow" per sh	*4.85*
	1.22	1.17	1.51	1.83	1.45	1.53	1.31	.94	1.25	1.21	1.46	1.47	1.34	1.50	1.90	1.95	*1.93*	*2.20*	Earnings per sh [A]	*2.65*
	.99	1.02	1.04	1.06	1.07	1.09	1.10	1.12	1.12	1.12	1.13	1.14	1.15	1.16	1.17	1.18	1.19	*1.20*	Div'd Decl'd per sh [B] ■	*1.23*
	2.26	2.17	2.83	2.61	2.74	3.44	2.45	4.09	5.82	4.39	3.73	4.01	4.28	3.68	4.82	5.33	*6.30*	*6.25*	Cap'l Spending per sh	*6.40*
	11.56	11.72	12.22	13.00	13.38	13.43	12.90	12.95	13.12	14.44	15.66	15.79	18.15	18.50	19.44	20.26	*20.95*	*21.80*	Book Value per sh [C]	*24.90*
	12.49	12.54	12.62	12.62	12.62	12.94	15.15	15.18	15.18	16.93	18.37	18.39	20.66	20.67	20.72	20.77	*21.00*	*22.00*	Common Shs Outst'g [D]	*23.50*
	14.1	13.7	11.9	12.6	17.8	17.8	19.6	27.1	19.8	22.1	20.1	24.9	29.2	26.1	19.8	19.7	*19.0*		Avg Ann'l P/E Ratio	*19.0*
	.92	.92	.75	.73	.93	1.01	1.27	1.39	1.08	1.26	1.06	1.33	1.58	1.39	1.19	1.32	*1.20*		Relative P/E Ratio	*1.25*
	5.8%	6.4%	5.8%	4.6%	4.2%	4.0%	4.3%	4.4%	4.5%	4.2%	3.9%	3.1%	2.9%	3.0%	3.1%	3.1%	3.2%		Avg Ann'l Div'd Yield	*2.5%*
							244.8	246.8	263.2	277.1	315.6	320.7	334.7	367.1	410.3	449.4	*468*	*525*	Revenues ($mill) [E]	*620*
							20.0	14.4	19.1	19.4	26.0	27.2	25.6	31.2	39.8	40.6	*40.5*	*48.0*	Net Profit ($mill)	*63.0*
							42.3%	39.4%	39.7%	39.9%	39.6%	42.4%	37.4%	39.9%	37.7%	40.3%	*39.5%*	*39.0%*	Income Tax Rate	*39.0%*
							--	--	--	10.3%	3.2%	3.3%	10.6%	8.3%	8.6%	7.6%	*8.5%*	*10.0%*	AFUDC % to Net Profit	*10.0%*
							48.9%	50.3%	55.3%	50.2%	48.6%	48.3%	43.5%	42.9%	41.6%	47.1%	*50.0%*	*50.0%*	Long-Term Debt Ratio	*50.0%*
							50.2%	48.8%	44.0%	49.1%	50.8%	51.1%	55.9%	56.6%	58.4%	52.9%	*50.0%*	*50.0%*	Common Equity Ratio	*50.0%*
							388.8	402.7	453.1	498.4	565.9	568.1	670.1	674.9	690.4	794.9	*890*	*960*	Total Capital ($mill)	*1170*
							582.0	624.3	697.0	759.5	800.3	862.7	941.5	1010.2	1112.4	1198.1	*1280*	*1350*	Net Plant ($mill)	*1650*
							6.8%	5.3%	5.9%	5.6%	6.1%	6.3%	5.2%	5.9%	7.1%	6.5%	*6.0%*	*6.5%*	Return on Total Cap'l	*6.5%*
							10.0%	7.2%	9.4%	7.8%	8.9%	9.3%	6.8%	8.1%	9.9%	9.6%	*9.0%*	*10.0%*	Return on Shr. Equity	*11.0%*
							10.1%	7.2%	9.5%	7.9%	9.0%	9.3%	6.8%	8.1%	9.9%	9.6%	*9.0%*	*10.0%*	Return on Com Equity	*11.0%*
							1.8%	NMF	1.0%	.7%	2.1%	2.1%	1.0%	1.8%	3.8%	3.8%	*3.5%*	*4.5%*	Retained to Com Eq	*6.0%*
							82%	119%	90%	91%	77%	78%	86%	77%	61%	60%	*62%*	*54%*	All Div'ds to Net Prof	*46%*

CAPITAL STRUCTURE as of 9/30/10
Total Debt $438.9 mill. **Due in 5 Yrs** $126.9 mill.
LT Debt $380.3 mill. **LT Interest** $28.0 mill.

(LT interest earned: 6.4x; total int. cov.: 5.7x)

Pension Assets-12/09 $105.6 mill.
Oblig. $219.7 mill.

Pfd Stock None

Common Stock 20,830,303 shs.
as of 11/2/10

MARKET CAP: $775 million (Small Cap)

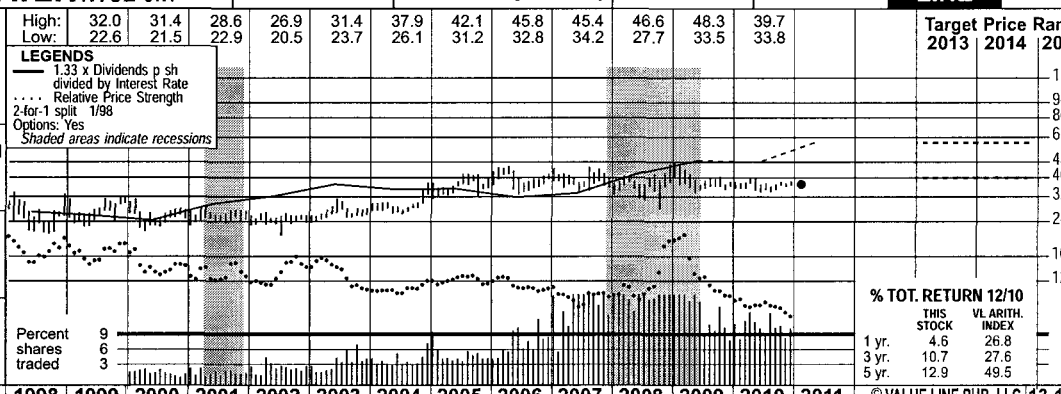
CURRENT POSITION ($MILL.)	2008	2009	9/30/10
Cash Assets	13.9	9.9	9.7
Other	65.9	82.3	82.0
Current Assets	79.8	92.2	91.7
Accts Payable	45.1	43.7	48.4
Debt Due	42.8	25.0	58.6
Other	35.3	41.7	48.5
Current Liab.	123.2	110.4	155.5
Fix. Chg. Cov.	398%	430%	390%

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '07-'09 to '13-'15
Revenues	2.5%	3.0%	*5.0%*
"Cash Flow"	2.5%	6.0%	*5.0%*
Earnings	1.0%	6.5%	*7.0%*
Dividends	1.0%	1.0%	*1.0%*
Book Value	4.0%	6.0%	*4.0%*

Calendar	QUARTERLY REVENUES ($ mill.) [E] Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2007	71.6	95.8	113.8	85.9	367.1
2008	72.9	105.6	131.7	100.1	410.3
2009	86.6	116.7	139.2	106.9	449.4
2010	90.3	118.3	146.3	*113.1*	*468*
2011	*100*	*132*	*165*	*128*	*525*

Calendar	EARNINGS PER SHARE [A] Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2007	.07	.37	.67	.39	1.50
2008	.01	.48	1.06	.35	1.90
2009	.12	.58	.94	.31	1.95
2010	.10	.50	.98	*.35*	*1.93*
2011	*.13*	*.58*	*1.08*	*.41*	*2.20*

Calendar	QUARTERLY DIVIDENDS PAID [B] ■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2007	.290	.290	.290	.290	1.16
2008	.293	.293	.293	.293	1.17
2009	.295	.295	.295	.295	1.18
2010	.2975	.2975	.2975	.2975	1.19
2011					



Target Price Range 2013 | 2014 | 2015

% TOT. RETURN 12/10

	THIS STOCK	VL ARITH. INDEX
1 yr.	4.6	26.8
3 yr.	10.7	27.6
5 yr.	12.9	49.5

BUSINESS: California Water Service Group provides regulated and nonregulated water service to roughly 467,100 customers in 83 communities in California, Washington, New Mexico, and Hawaii. Main service areas: San Francisco Bay area, Sacramento Valley, Salinas Valley, San Joaquin Valley & parts of Los Angeles. Acquired Rio Grande Corp; West Hawaii Utilities (9/08). Revenue breakdown, '09: residential, 70%; business, 19%; public authorities, 5%; industrial, 5%; other, 1%. '09 reported depreciation rate: 2.3%. Has roughly 1,013 employees. Chairman: Robert W. Foy. President & CEO: Peter C. Nelson (4/10 Proxy). Inc.: Delaware. Address: 1720 North First Street, San Jose, California 95112-4598. Telephone: 408-367-8200. Internet: www.calwatergroup.com.

California Water Service Group appears to have gotten a better handle on operating expenses. Fourth-quarter results were not released yet, but the water utility reported 4% share-earnings growth in the September period. Earnings declined in the first half of the year, as operating costs escalated amid greater infrastructure investment. Although rising maintenance costs are par for the course in this capital-intensive industry (see below), management was able to control more-discretionary spending, namely administrative costs, in the third quarter. We suspect that it is keeping a close watch on the cost structure, and that it was probably able to produce a double-digit earnings advance in the fourth quarter.

Growth of 10% to 15% in likely in 2011. The California Public Utilities Commission (CPUC) recently approved a rate increase, adding more than $25 million to annual revenues beginning in January. An additional $8 million is pending on the completion of capital projects. The decision was a bit lighter than the initial $70-plus million request and the $45 million we expected, but should help the company achieve $2.20 in share earnings this year nonetheless.

Still, there are some issues that may plague future growth trends. True, the CPUC has definitely taken on a more business friendly disposition in recent years. And the company is definitely doing a better job keeping costs in check. But we worry that infrastructure costs will not be able to be kept under wraps and that limited finances will be problematic. Indeed, many of the company's water systems require significant attention. Its cash coffers are nearly empty, however, and it will have to continue to rely on outside financing to keep the doors open. The additional debt and/or equity offerings needed will only temper shareholder returns. Therefore, CWT is not an attractive growth vehicle, whether it be for the coming six to 12 months of 3 to 5 years.

This issue's *income component* is the stock's saving grace, but may not be enough to entice most. CWT is a top-dividend yielding water utility. The payout may come under some pressure, though, given the company's financial restraints.

Andre J. Costanza *January 21, 2011*

(A) Basic EPS. Excl. nonrecurring gain (loss): '00, (7¢); '01, 4¢; '02, 8¢. Next earnings report due early February.
(B) Dividends historically paid in mid-Feb., May, Aug., and Nov. ■ Div'd reinvestment plan available.
(C) Incl. deferred charges. In '09: $2.6 mill., $0.13/sh.
(D) In millions, adjusted for split.
(E) Excludes non-reg. rev.

Company's Financial Strength	B+
Stock's Price Stability	85
Price Growth Persistence	70
Earnings Predictability	85

AQUA AMERICA NYSE-WTR

RECENT PRICE **22.96** | P/E RATIO **25.0** (Trailing: 26.4 Median: 25.0) | RELATIVE P/E RATIO **1.50** | DIV'D YLD **2.7%** | **VALUE LINE**

TIMELINESS 3 Lowered 1/21/11
SAFETY 3 Lowered 8/1/03
TECHNICAL 3 Lowered 8/13/10
BETA .65 (1.00 = Market)

2013-15 PROJECTIONS

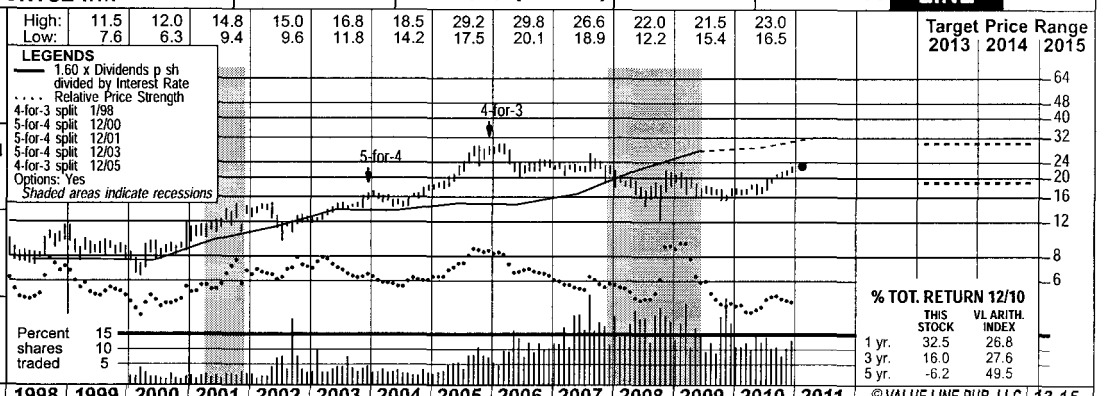
	Price	Gain	Ann'l Total Return
High	30	(+30%)	9%
Low	19	(-15%)	-1%

Insider Decisions

	F	M	A	M	J	J	A	S	O
to Buy	0	1	0	1	0	0	0	1	0
Options	1	0	1	0	0	0	0	2	1
to Sell	0	0	1	0	0	3	0	2	1

Institutional Decisions

	1Q2010	2Q2010	3Q2010
to Buy	106	92	90
to Sell	106	119	101
Hld's(000)	57767	60654	59791



	11.5	12.0	14.8	15.0	16.8	18.5	29.2	29.8	26.6	22.0	21.5	23.0
High:	7.6	6.3	9.4	9.6	11.8	14.2	17.5	20.1	18.9	12.2	15.4	16.5
Low:												

Target Price Range 2013 | 2014 | 2015

64 48 40 32 24 20 16 12 8 6

% TOT. RETURN 12/10

	THIS STOCK	VL ARITH. INDEX
1 yr.	32.5	26.8
3 yr.	16.0	27.6
5 yr.	-6.2	49.5

1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	© VALUE LINE PUB. LLC	13-15
1.82	1.84	1.86	2.02	2.09	2.41	2.46	2.70	2.85	2.97	3.48	3.85	4.03	4.52	4.63	4.91	*5.30*	*5.60*	Revenues per sh	*6.60*
.42	.47	.50	.56	.61	.72	.76	.86	.94	.96	1.09	1.21	1.26	1.37	1.42	1.61	*1.75*	*1.85*	"Cash Flow" per sh	*2.15*
.26	.29	.30	.34	.40	.42	.47	.51	.54	.57	.64	.71	.70	.71	.73	.77	*.90*	*.97*	Earnings per sh [A]	*1.15*
.21	.22	.23	.24	.26	.27	.28	.30	.32	.35	.37	.40	.44	.48	.51	.55	.59	*.63*	Div'd Decl'd per sh [B■]	*.75*
.46	.52	.48	.58	.82	.90	1.16	1.09	1.20	1.32	1.54	1.84	2.05	1.79	1.98	2.08	*2.20*	*1.45*	Cap'l Spending per sh	*1.60*
2.41	2.46	2.69	2.84	3.21	3.42	3.85	4.15	4.36	5.34	5.89	6.30	6.96	7.32	7.82	8.12	*8.35*	*8.70*	Book Value per sh	*9.75*
59.77	63.74	65.75	67.47	72.20	106.80	111.82	113.97	113.19	123.45	127.18	128.97	132.33	133.40	135.37	136.49	*137.60*	*138.10*	Common Shs Outst'g [C]	*139.60*
13.5	12.0	15.6	17.8	22.5	21.2	18.2	23.6	23.6	24.5	25.1	31.8	34.7	32.0	24.9	23.1	*24.9*		Avg Ann'l P/E Ratio	*21.0*
.89	.80	.98	1.03	1.17	1.21	1.18	1.21	1.29	1.40	1.33	1.69	1.87	1.70	1.50	1.54	*1.50*		Relative P/E Ratio	*1.40*
6.0%	6.2%	4.9%	3.9%	2.9%	3.0%	3.3%	2.5%	2.5%	2.5%	2.3%	1.8%	1.8%	2.1%	2.8%	3.1%	2.7%		Avg Ann'l Div'd Yield	*2.5%*
275.5	307.3	322.0	367.2	442.0	496.8	533.5	602.5	627.0	670.5	*730*	*770*	Revenues ($mill)	*920*
50.7	58.5	62.7	67.3	80.0	91.2	92.0	95.0	97.9	104.4	*125*	*135*	Net Profit ($mill)	*160*
38.9%	39.3%	38.5%	39.3%	39.4%	38.4%	39.6%	38.9%	39.7%	39.4%	*40.0%*	*40.0%*	Income Tax Rate	*40.0%*
--	--	--	--	--	--	--	--	2.9%	3.1%	*2.5%*	*2.5%*	AFUDC % to Net Profit	*1.5%*
52.0%	52.2%	54.2%	51.4%	50.0%	52.0%	51.6%	55.4%	54.1%	55.6%	*56.0%*	*56.0%*	Long-Term Debt Ratio	*58.0%*
47.8%	47.7%	45.8%	48.6%	50.0%	48.0%	48.4%	44.6%	45.9%	44.4%	*44.0%*	*44.0%*	Common Equity Ratio	*42.0%*
901.1	990.4	1076.2	1355.7	1497.3	1690.4	1904.4	2191.4	2306.6	2495.5	*2600*	*2750*	Total Capital ($mill)	*3200*
1251.4	1368.1	1490.8	1824.3	2069.8	2280.0	2506.0	2792.8	2997.4	3227.3	*3380*	*3480*	Net Plant ($mill)	*3750*
7.4%	7.8%	7.6%	6.4%	6.7%	6.9%	6.4%	5.9%	5.7%	5.6%	*5.0%*	*5.0%*	Return on Total Cap'l	*5.0%*
11.7%	12.3%	12.7%	10.2%	10.7%	11.2%	10.0%	9.7%	9.3%	9.4%	*11.0%*	*11.0%*	Return on Shr. Equity	*12.0%*
11.7%	12.4%	12.7%	10.2%	10.7%	11.2%	10.0%	9.7%	9.3%	9.4%	*11.0%*	*11.0%*	Return on Com Equity	*12.0%*
4.7%	5.1%	5.2%	4.2%	4.6%	4.9%	3.7%	3.2%	2.8%	2.7%	*4.0%*	*4.0%*	Retained to Com Eq	*4.0%*
60%	59%	59%	59%	57%	56%	63%	67%	70%	72%	*65%*	*64%*	All Div'ds to Net Prof	*66%*

CAPITAL STRUCTURE as of 9/30/10
Total Debt $1463.1 mill. **Due in 5 Yrs** $275 mill.
LT Debt $1450.3 mill. **LT Interest** $60.0 mill.
(LT interest earned: 4.0x; total interest coverage: 4.0x)
(56% of Cap'l)

Pension Assets-12/09 $135.6 mill.
Oblig. $217.8 mill.

Pfd Stock None
Common Stock 137,540,249 shares
as of 10/26/10

MARKET CAP: $3.2 billion (Mid Cap)

CURRENT POSITION ($MILL.)	2008	2009	9/30/10
Cash Assets	14.9	21.9	13.6
Receivables	84.5	78.7	96.5
Inventory (AvgCst)	9.8	9.5	10.0
Other	11.8	11.5	29.1
Current Assets	121.0	121.6	149.2
Accts Payable	50.0	57.9	36.5
Debt Due	87.9	87.0	12.8
Other	55.3	56.1	157.3
Current Liab.	193.2	201.0	206.6
Fix. Chg. Cov.	329%	346%	325%

ANNUAL RATES (of change (per sh))	Past 10 Yrs.	Past 5 Yrs.	Est'd '07-'09 to '13-'15
Revenues	8.0%	8.5%	*6.0%*
"Cash Flow"	9.0%	8.0%	*6.5%*
Earnings	6.5%	5.0%	*7.5%*
Dividends	7.5%	8.0%	*6.5%*
Book Value	9.5%	8.5%	*4.0%*

Calendar	QUARTERLY REVENUES ($ mill.) Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2007	137.3	150.6	165.5	149.1	602.5
2008	139.3	151.0	177.1	159.6	627.0
2009	154.5	167.3	180.8	167.9	670.5
2010	*160.5*	*178.4*	*207.8*	*183.3*	*730*
2011	*180*	*185*	*210*	*195*	*770*

Calendar	EARNINGS PER SHARE [A] Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2007	.13	.17	.22	.19	.71
2008	.11	.17	.26	.19	.73
2009	.14	.19	.25	.20	.77
2010	.16	.22	.32	*.20*	*.90*
2011	*.17*	*.23*	*.34*	*.23*	*.97*

Calendar	QUARTERLY DIVIDENDS PAID [B■] Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2007	.115	.115	.125	.125	.48
2008	.125	.125	.125	.135	.51
2009	.135	.135	.135	.145	.55
2010	.145	.145	.145	.155	.59
2011					

BUSINESS: Aqua America, Inc. is the holding company for water and wastewater utilities that serve approximately three million residents in Pennsylvania, Ohio, North Carolina, Illinois, Texas, New Jersey, Florida, Indiana, and five other states. Divested three of four non-water businesses in '91; telemarketing group in '93; and others. Acquired AquaSource, 7/03; Consumers Water, 4/99; and others. Water supply revenues '09: residential, 58.5%; commercial, 14%; industrial & other, 27.5%. Officers and directors own 1.5% of the common stock (4/10 Proxy). Chairman & Chief Executive Officer: Nicholas DeBenedictis. Incorporated: Pennsylvania. Address: 762 West Lancaster Avenue, Bryn Mawr, Pennsylvania 19010. Telephone: 610-525-1400. Internet: www.aquaamerica.com.

We have raised our near-term estimates for Aqua America. Hot and dry weather in the east provided a considerable boost to earnings in the third quarter. As a result, 2010 share net likely rose more than 15% compared to a year ago. As the company continues expanding its customer base, profits should remain on the upswing in 2011 and beyond.

Acquisitions are driving much of the revenue growth. Indeed, 14 purchases were made in the third quarter alone, bringing the full year total to 26. Aqua America's Texas subsidiary also bought the assets of Gray Utility. This acquisition is slated to bring about 6,000 new customers into the fold in 2011. Looking ahead, it is likely that the company will make a play for all or part of Acquarion, a Connecticut-based water utility with considerable connections. Finally, given the fragmented nature of the industry and the lack of major players, we believe that Aqua America will continue expanding aggressively in the years to come. This should bolster the top and bottom lines over the 3 to 5 year pull.

Favorable rate rulings are contributing, as well. Thus far, the company has received rate hikes in various states, including North Carolina, New York, Ohio, Indiana, and Maine. There are several other rate cases pending, the results of which should be ruled on in the first quarter of 2011. The decisions are likely to positively impact revenue and profit streams this year and the next.

Aqua America's future looks bright. The company is well positioned to continue growing via acquisitions. Indeed, Aqua is well capitalized, and management anticipates further expansions in 2011 and beyond. Finally, unlike many of its competitors, the company is also diversifying its holdings. Aqua has invested in solar power and we expect it to become a solid presence in this market in the future.

Income investors should find this issue of interest. Aqua has a long history of steady dividend increases, and we anticipate this trend will continue. However, the current price seems to discount most of our projected Total Return potential. Finally, the stock is ranked to trade in line with the market for the year ahead.

Sahana Zutshi *January 21, 2011*

(A) Diluted shares. Excl. nonrec. gains (losses): '99, (11¢); '00, 2¢; '01, 2¢; '02, 5¢; '03, *4¢*. Excl. gain from disc. operations: '96, 2¢. Earnings may not add due to rounding.

Next earnings report due early February.
(B) Dividends historically paid in early March, June, Sept. & Dec. ■ *Div'd. reinvestment plan* available (5% discount).

(C) In millions, adjusted for stock splits.

Company's Financial Strength	B+
Stock's Price Stability	100
Price Growth Persistence	65
Earnings Predictability	100

ATTACHMENT B

Stocks in the Natural Gas Utility Industry generally posted a good performance over the past few months. However, this run was less impressive when compared to the stock market rally of late. Consequently, this group remains ranked in the bottom half of our Industry spectrum.

Regardless, the companies herein have been operating amid tough market conditions in recent months. The weakness in the housing market continues to weigh on results. These utilities continue to work to offset these pressure via numerous business strategies. However, near-term prospects will likely continue to be uninspiring until the economic recovery is further along.

Macroeconomic Climate

There has been some good news on the economic front in recent months. Some positive economic reports suggest that the global economy is posting slow growth. However, there are still some areas of concern. Notably, the weakness in the housing market and tight credit environment continue to weigh on this sector. Thus, we expect usage to continue to be impacted by these economic factors for the time being.

Regulation

Rate cases are a key theme for companies in this industry. These utilities are regulated by state commissions that determine the return on equity these companies can achieve. As a result, any pending rate cases remain carefully watched by investors. A favorable ruling can lead to an jump in a stock's price, while an unfavorable ruling can have the opposite effect. The current rate environment is fairly quiet. However, there are a few notable cases pending. For example, *WGL Holdings* and *Southwest Gas* both have cases being reviewed by regulatory commissions. All told, we suggest investors pay close attention to the rate environment when evaluating these stocks.

Nonregulated Activities

Many of the members here continue to invest in nonregulated businesses. These often provide opportunties for utilities to diversify their operations and improve profitability. The fact that these businesses can provide upside to share net is noteworthy, since the return on equity is set by the regulatory state commissions (usually in the 10%-12% range) on the regulated operations.

Composite Statistics: Natural Gas Utility

2007	2008	2009	2010	2011	2012		14-16
38528	44207	34909	*42000*	*44500*	*47500*	Revenues ($mill)	*54250*
1562.4	1694.2	1677.6	*1650*	*1725*	*1825*	Net Profit ($mill)	*2175*
33.9%	35.7%	33.8%	*36.0%*	*36.0%*	*36.0%*	Income Tax Rate	*36.0%*
4.1%	3.8%	4.8%	*3.9%*	*3.9%*	*3.8%*	Net Profit Margin	*4.0%*
50.4%	50.6%	49.9%	*52.0%*	*52.0%*	*51.0%*	Long-Term Debt Ratio	*54.0%*
49.5%	49.4%	50.1%	*48.0%*	*48.0%*	*49.0%*	Common Equity Ratio	*46.0%*
32263	32729	33974	*34750*	*36250*	*37750*	Total Capital ($mill)	*43000*
33936	35342	37292	*38500*	*40250*	*42250*	Net Plant ($mill)	*50500*
6.5%	6.8%	6.5%	*6.5%*	*6.5%*	*5.0%*	Return on Total Cap'l	*5.0%*
9.8%	10.5%	10.0%	*10.5%*	*10.0%*	*10.0%*	Return on Shr. Equity	*10.0%*
9.8%	10.5%	10.0%	*10.5%*	*10.0%*	*10.0%*	Return on Com Equity	*10.0%*
3.7%	4.3%	3.8%	*4.5%*	*4.0%*	*3.5%*	Retained to Com Eq	*4.0%*
62%	59%	61%	*63%*	*61%*	*60%*	All Div'ds to Net Prof	*59%*
16.6	13.9	12.8		*Bold figures are Value Line estimates*		Avg Ann'l P/E Ratio	*13.0*
.88	.83	.88				Relative P/E Ratio	*.85*
3.7%	4.2%	4.1%				Avg Ann'l Div'd Yield	*4.6%*
336%	358%	381%	*375%*	*375%*	*375%*	Fixed Charge Coverage	*400%*

INDUSTRY TIMELINESS: 68 (of 97)

Looking ahead, nonregulated ventures will likely continue to become a more important theme for this sector over the coming years, given their potential to generate higher profits.

Recent Developments

There has been some news of consolidation in this industry since our last review. *Nicor* made headlines recently after it agreed to be purchased by *AGL Resources* for $2.4 billion. The merger would create one of the largest natural gas distributors in the United States. The deal is expected to close in the second half of 2011. We would not be surprised to see other acquisitions in this sector in the not-so-distant future, given the improving economic climate. Another notable development is the increasing interest in "green" initiatives by natural gas utilities. State governments have increasingly been offering energy-efficiency programs in an effort to help these companies adapt to industry trends and to promote conservation. Consequently, numerous companies have been investing in "green" energy. For example, *New Jersey Resources* has been pushing forward with its solar initiative.

Weather

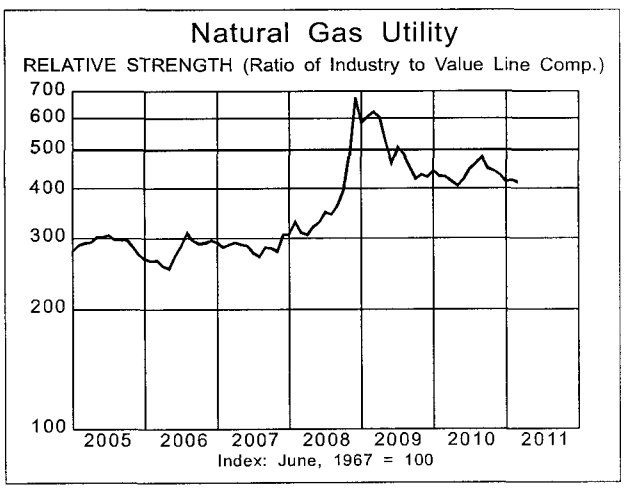
Weather remains another important factor to consider when looking at this group. Unseasonably warm or cold weather can have a notable impact on results as well as on natural gas prices. A particularly cold winter this year has helped results for many of the players in this group. However, weak natural gas prices widely offset the majority of the gains in usage.

Conclusion

Momentum investors can probably find better options in a different industry group. Indeed, this sector's near-term prospects do not stand out. Total return potential 3- to 5-year hence is also widely unattractive. Thus, we suggest patient investors look elsewhere.

The main appeal of this sector is its above-average dividend yield. The average yield is approximately 3.8%, which is about twice the *Value Line* median. Consequently, income-oriented investors may find some of the stocks in this group of interest. *NiSource* and *AGL Resources* have particularly attractive dividend yields.

Richard Gallagher



AGL RESOURCES NYSE-AGL

RECENT PRICE 38.14 | P/E RATIO 12.9 (Trailing: 12.7 Median: 13.0) | RELATIVE P/E RATIO 0.79 | DIV'D YLD 4.7% | VALUE LINE

TIMELINESS 3 Raised 3/11/11
SAFETY 2 New 7/27/90
TECHNICAL 4 Lowered 3/11/11
BETA .75 (1.00 = Market)

2014-16 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	65	(+70%)	18%
Low	50	(+30%)	11%

Insider Decisions

	A	M	J	J	A	S	O	N	D
to Buy	0	0	0	0	0	0	0	0	0
Options	2	0	0	0	1	0	0	1	0
to Sell	2	0	0	0	0	2	0	1	0

Institutional Decisions

	1Q2010	2Q2010	3Q2010
to Buy	104	110	109
to Sell	103	116	96
Hld's(000)	46225	46214	46899

High:	23.2	24.5	25.0	29.3	33.7	39.3	40.1	44.7	39.1	37.5	40.1	38.9						
Low:	15.5	19.0	17.3	21.9	26.5	32.0	34.4	35.2	24.0	24.0	34.2	35.7						

LEGENDS
1.10 x Dividends p sh divided by Interest Rate
..... Relative Price Strength
Options: Yes
Shaded areas indicate recessions

Target Price Range 2014 | 2015 | 2016

% TOT. RETURN 2/11

	THIS STOCK	VL ARITH. INDEX
1 yr.	9.6	31.2
3 yr.	27.3	45.8
5 yr.	33.7	48.1

1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	© VALUE LINE PUB. LLC	14-16
19.32	21.91	22.75	23.36	18.71	11.25	19.04	15.32	15.25	23.89	34.98	33.73	32.64	36.41	29.88	30.42	33.25	34.45	Revenues per sh [A]	37.95
2.33	2.49	2.42	2.65	2.29	2.86	3.31	3.39	3.47	3.29	4.20	4.50	4.65	4.68	4.90	5.05	5.20	5.40	"Cash Flow" per sh	5.90
1.33	1.37	1.37	1.41	.91	1.29	1.50	1.82	2.08	2.28	2.48	2.72	2.72	2.71	2.88	3.00	3.15	3.30	Earnings per sh [A B]	3.75
1.04	1.06	1.08	1.08	1.08	1.08	1.08	1.08	1.11	1.15	1.30	1.48	1.64	1.68	1.72	1.76	1.80	1.84	Div'ds Decl'd per sh [C]	1.96
2.17	2.37	2.59	2.05	2.51	2.92	2.83	3.30	2.46	3.44	3.44	3.26	3.39	4.84	6.14	6.54	2.55	1.30	Cap'l Spending per sh	5.05
10.12	10.56	10.99	11.42	11.59	11.50	12.19	12.52	14.66	18.06	19.29	20.71	21.74	21.48	22.95	23.24	24.70	25.25	Book Value per sh [D]	30.70
55.02	55.70	56.60	57.30	57.10	54.00	55.10	56.70	64.50	76.70	77.70	77.70	76.40	76.90	77.54	78.00	78.20	78.40	Common Shs Outst'g [E]	79.00
12.6	13.8	14.7	13.9	21.4	13.6	14.6	12.5	12.5	13.1	14.3	13.5	14.7	12.3	11.2	12.9	Bold figures are Value Line estimates		Avg Ann'l P/E Ratio	15.0
.84	.86	.85	.72	1.22	.88	.75	.68	.71	.69	.76	.73	.78	.74	.75	.79			Relative P/E Ratio	1.00
6.2%	5.6%	5.4%	5.5%	5.5%	6.2%	4.9%	4.7%	4.3%	3.9%	3.7%	4.0%	4.1%	5.0%	5.4%	4.7%			Avg Ann'l Div'd Yield	4.2%
1049.3	868.9	983.7	1832.0	2718.0	2621.0	2494.0	2800.0	2317.0	2373.0	2600	2700	Revenues ($mill) [A]	3000
82.3	103.0	132.4	153.0	193.0	212.0	211.0	207.6	222.0	234.0	245	260	Net Profit ($mill)	300
40.7%	36.0%	35.9%	37.0%	37.7%	37.8%	37.6%	40.5%	35.2%	35.9%	35.0%	35.0%	Income Tax Rate	35.0%
7.8%	11.9%	13.5%	8.4%	7.1%	8.1%	8.5%	7.4%	9.6%	9.9%	9.5%	9.5%	Net Profit Margin	10.0%
61.3%	58.3%	50.3%	54.0%	51.9%	50.2%	50.2%	50.3%	52.6%	48.0%	45.0%	44.0%	Long-Term Debt Ratio	35.0%
38.7%	41.7%	49.7%	46.0%	48.1%	49.8%	49.8%	49.7%	47.4%	52.0%	55.0%	56.0%	Common Equity Ratio	65.0%
1736.3	1704.3	1901.4	3008.0	3114.0	3231.0	3335.0	3327.0	3754.0	3486.0	3515	3535	Total Capital ($mill)	3730
2058.9	2194.2	2352.4	3178.0	3271.0	3436.0	3566.0	3816.0	4146.0	4405.0	4505	4555	Net Plant ($mill)	5005
6.5%	8.1%	8.9%	6.3%	7.9%	8.0%	7.7%	7.4%	6.9%	7.6%	7.0%	7.5%	Return on Total Cap'l	8.0%
12.3%	14.5%	14.0%	11.0%	12.9%	13.2%	12.7%	12.6%	12.5%	12.9%	12.5%	12.5%	Return on Shr. Equity	12.5%
12.3%	14.5%	14.0%	11.0%	12.9%	13.2%	12.7%	12.6%	12.5%	12.9%	12.5%	12.5%	Return on Com Equity	12.5%
4.2%	7.0%	6.6%	5.6%	6.2%	6.3%	5.3%	5.1%	5.3%	5.6%	6.5%	5.5%	Retained to Com Eq	6.0%
65%	52%	53%	49%	52%	52%	58%	60%	57%	57%	55%	56%	All Div'ds to Net Prof	52%

CAPITAL STRUCTURE as of 12/31/10
Total Debt $2705.0 mill. **Due in 5 Yrs** $732.0 mill.
LT Debt $1673.0 mill. **LT Interest** $109.0 mill.
(Total interest coverage: 6.5x)

Leases, Uncapitalized Annual rentals $95.0 mill.
Pension Assets-12/10 $344.0 mill.
Oblig. $531.0 mill.

Pfd Stock None

Common Stock 77,999,557 shs.
as of 1/31/11

MARKET CAP: $3.0 billion (Mid Cap)

CURRENT POSITION ($MILL.)	2008	2009	12/31/10
Cash Assets	16	26	24
Other	2026	1974	2138
Current Assets	2042	2000	2162
Accts Payable	202	237	184
Debt Due	866	602	1032
Other	915	933	1212
Current Liab.	1983	1772	2428
Fix. Chg. Cov.	416%	472%	475%

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '08-'10 to '14-'16
Revenues	6.0%	5.5%	3.0%
"Cash Flow"	6.5%	6.0%	3.0%
Earnings	9.0%	4.5%	4.5%
Dividends	5.0%	7.5%	2.0%
Book Value	7.0%	5.5%	5.5%

Calendar	QUARTERLY REVENUES ($ mill.) Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2008	1012	444	539	805	2800
2009	995	377	307	638	2317
2010	1003	359	346	665	2373
2011	1100	365	360	775	2600
2012	1200	390	380	730	2700

Calendar	EARNINGS PER SHARE [B] Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2008	1.16	.30	.28	.97	2.71
2009	1.55	.26	.16	.91	2.88
2010	1.73	.17	.29	.81	3.00
2011	1.50	.35	.30	1.00	3.15
2012	1.60	.40	.45	.85	3.30

Calendar	QUARTERLY DIVIDENDS PAID [C] Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2007	.41	.41	.41	.41	1.64
2008	.42	.42	.42	.42	1.68
2009	.43	.43	.43	.43	1.72
2010	.44	.44	.44	.44	1.76
2011	.45				

BUSINESS: AGL Resources Inc. is a public utility holding company. Its distribution subsidiaries include Atlanta Gas Light, Chattanooga Gas, Elizabethtown Gas and Virginia Natural Gas. The utilities have more than 2.3 million customers in Georgia, Virginia, Tennessee, New Jersey, Florida, and Maryland. Engaged in nonregulated natural gas marketing and other allied services. Deregulated subsidiaries: Georgia Natural Gas markets natural gas at retail. Sold Utilipro, 3/01. Acquired Compass Energy Services, 10/07. Franklin Resources owns 5.1% of common stock; off./dir., less than 1.0% (3/10 Proxy). Pres. & CEO: John W. Somerhalder II. Inc.: GA. Addr.: Ten Peachtree Place N.E., Atlanta, GA 30309. Telephone: 404-584-4000. Internet: www.aglresources.com.

AGL Resources should perform well in 2011. The company is set to benefit from several factors this year. These include rate increases and the startup of the Golden Triangle project (discussed below).

Rate cases and expansion projects are likely to drive earnings in 2011 and beyond. The Golden Triangle project, which came partially on line in 2010, is poised to add considerably to the top line over the next few years as it materially increases the company's storage capacity. The expansion should aid AGL Resources by growing its customer base, as well. The company has also filed several rate increase cases, the most recent one concerning Virginia Natural Gas. Given its favorable rate case history, we do not foresee any problems at this time. The rate rises are likely to bolster the bottom line out to the 2014-2016 time frame.

Mergers should play a key part in growth over the next few years, as well. 2010 was one of the most active years for consolidations in the utility industry. We expect this trend to accelerate in 2011, as many companies appear to be good acquisitin targets. AGL Resources has already become a forerunner in this segment, with the purchase of Nicor, set to be finalized within the next few months. Given the weak operating environment, and the fact that acquisitions are a quick way to increase market share, we expect AGL take advantage of further opportunities over the next few years.

The company is set to do well over the long term. One concern is the fact that production is at unprecedented levels, a result of the discovery of several shale gas reserves. The high storage levels, resulting in lower prices, are set to put downward pressure on the profitability of the storage and pipeline segments. But, the continued economic recovery, increased customer demand, and stringent expense control measures should ensure that the company will successfully navigate these obstacles.

Investors should take a look at this neutrally ranked issue. The dividend yield is above the industry average at this time, and we believe that the payout will be increased in the years ahead. AGL Resources appears to be a good pick for the long term.

Sahana Zutshi *March 11, 2011*

(A) Fiscal year ends December 31st. Ended September 30th prior to 2002.
(B) Diluted earnings per share. Excl. nonrecurring gains (losses): '95, ($0.83); '99, $0.39; '00, $0.13; '01, $0.13; '03, ($0.07); '08, $0.13. Next earnings report due late April.
(C) Dividends historically paid early March, June, Sept., and Dec. ■ Div'd reinvest. plan available. (D) Includes intangibles. In 2010: $418 million, $5.35/share.
(E) In millions.

Company's Financial Strength	B++
Stock's Price Stability	100
Price Growth Persistence	75
Earnings Predictability	95

ATMOS ENERGY CORP. NYSE-ATO

RECENT PRICE 33.86 | P/E RATIO 14.7 (Trailing: 17.2 / Median: 14.0) | RELATIVE P/E RATIO 0.90 | DIV'D YLD 4.0% | VALUE LINE

TIMELINESS 3 Raised 2/25/11
SAFETY 2 Raised 12/16/05
TECHNICAL 3 Lowered 12/10/10
BETA .65 (1.00 = Market)

2014-16 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	40	(+20%)	8%
Low	30	(-10%)	1%

Insider Decisions

	A	M	J	J	A	S	O	N	D
to Buy	0	0	0	0	0	0	0	0	0
Options	0	0	0	0	0	0	0	1	0
to Sell	0	0	0	0	1	0	0	3	0

Institutional Decisions

	1Q2010	2Q2010	3Q2010
to Buy	115	107	90
to Sell	95	100	106
Hld's(000)	51556	52963	50893

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
High:	26.3	25.8	24.5	25.5	27.6	30.0	33.1	33.5	29.3	30.3	32.0	34.3
Low:	14.3	19.5	17.6	20.8	23.4	25.0	25.5	23.9	19.7	20.1	25.9	31.3

Target Price Range 2014 | 2015 | 2016

LEGENDS
1.00 x Dividends p sh divided by Interest Rate
Relative Price Strength
Options: Yes
Shaded areas indicate recessions

% TOT. RETURN 2/11

	THIS STOCK	VL ARITH. INDEX
1 yr.	28.9	31.2
3 yr.	50.6	45.8
5 yr.	62.1	48.1

Percent shares traded

Atmos Energy's history dates back to 1906 in the Texas Panhandle. Over the years, through various mergers, and, in 1981, Pioneer named its gas distribution division Energas. In 1983, Pioneer organized Energas as a separate subsidiary and distributed the outstanding shares of Energas to Pioneer shareholders. Energas changed its name to Atmos in 1988. Atmos acquired Trans Louisiana Gas in 1986, Western Kentucky Gas Utility in 1987, Greeley Gas in 1993, United Cities Gas in 1997, and others.

© VALUE LINE PUB. LLC	14-16
Revenues per sh [A]	71.45
"Cash Flow" per sh	5.55
Earnings per sh [A B]	2.70
Div'ds Decl'd per sh [C ■]	1.45
Cap'l Spending per sh	7.65
Book Value per sh	30.10
Common Shs Outst'g [D]	105.00
Avg Ann'l P/E Ratio	13.0
Relative P/E Ratio	.85
Avg Ann'l Div'd Yield	4.1%
Revenues ($mill) [A]	7500
Net Profit ($mill)	285
Income Tax Rate	40.5%
Net Profit Margin	3.8%
Long-Term Debt Ratio	49.0%
Common Equity Ratio	51.0%
Total Capital ($mill)	6200
Net Plant ($mill)	6400
Return on Total Cap'l	6.0%
Return on Shr. Equity	9.0%
Return on Com Equity	9.0%
Retained to Com Eq	4.0%
All Div'ds to Net Prof	53%

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
	35.36	22.82	54.39	46.50	61.75	75.27	66.03	79.52	53.69	53.12	52.95	54.15
	3.03	3.39	3.23	2.91	3.90	4.26	4.14	4.19	4.29	4.64	4.85	5.10
	1.47	1.45	1.71	1.58	1.72	2.00	1.94	2.00	1.97	2.16	2.30	2.40
	1.16	1.18	1.20	1.22	1.24	1.26	1.28	1.30	1.32	1.34	1.36	1.38
	2.77	3.17	3.10	3.03	4.14	5.20	4.39	5.20	5.51	6.02	6.45	6.75
	14.31	13.75	16.66	18.05	19.90	20.16	22.01	22.60	23.52	24.16	26.10	27.50
	40.79	41.68	51.48	62.80	80.54	81.74	89.33	90.81	92.55	90.16	91.00	92.00
	15.6	15.2	13.4	15.9	16.1	13.5	15.9	13.6	12.5	13.2	Bold figures are Value Line estimates	
	.80	.83	.76	.84	.86	.73	.84	.82	.83	.84		
	5.1%	5.4%	5.2%	4.9%	4.5%	4.7%	4.2%	4.8%	5.3%	4.7%		
	1442.3	950.8	2799.9	2920.0	4973.3	6152.4	5898.4	7221.3	4969.1	4789.7	4820	4980
	56.1	59.7	79.5	86.2	135.8	162.3	170.5	180.3	179.7	201.2	210	220
	37.3%	37.1%	37.1%	37.4%	37.7%	37.6%	35.8%	38.4%	34.4%	38.5%	38.5%	38.5%
	3.9%	6.3%	2.8%	3.0%	2.7%	2.6%	2.9%	2.5%	3.6%	4.2%	4.4%	4.4%
	54.3%	53.9%	50.2%	43.2%	57.7%	57.0%	52.0%	50.8%	49.9%	45.4%	45.0%	45.0%
	45.7%	46.1%	49.8%	56.8%	42.3%	43.0%	48.0%	49.2%	50.1%	54.6%	55.0%	55.0%
	1276.3	1243.7	1721.4	1994.8	3785.5	3828.5	4092.1	4172.3	4346.2	3987.9	4315	4600
	1335.4	1300.3	1516.0	1722.5	3374.4	3629.2	3836.8	4136.9	4439.1	4793.1	5100	5400
	5.9%	6.8%	6.2%	5.8%	5.3%	6.1%	5.9%	5.9%	5.9%	6.9%	6.0%	6.0%
	9.6%	10.4%	9.3%	7.6%	8.5%	9.8%	8.7%	8.8%	8.3%	9.2%	9.0%	8.5%
	9.6%	10.4%	9.3%	7.6%	8.5%	9.8%	8.7%	8.8%	8.3%	9.2%	9.0%	8.5%
	2.1%	1.9%	2.8%	1.7%	2.3%	3.6%	3.0%	3.1%	2.7%	3.5%	3.5%	3.5%
	79%	82%	70%	77%	73%	63%	65%	65%	68%	62%	59%	58%

CAPITAL STRUCTURE as of 12/31/10
Total Debt $2407.7 mill. **Due in 5 Yrs** $1240.0 mill.
LT Debt $1807.3 mill. **LT Interest** $110.0 mill.
(LT interest earned: 3.2x; total interest coverage: 3.1x)
Leases, Uncapitalized Annual rentals $18.2 mill.
Pfd Stock None
Pension Assets-9/10 $301.7 mill.
Oblig. $407.5 mill.
Common Stock 90,648,911 shs.
as of 2/3/11
MARKET CAP: $3.1 billion (Mid Cap)

CURRENT POSITION ($MILL.)	2009	2010	12/31/10
Cash Assets	111.2	132.0	129.9
Other	717.7	743.2	1133.4
Current Assets	828.9	875.2	1263.3
Accts Payable	207.4	266.2	510.1
Debt Due	72.7	486.2	600.4
Other	457.3	413.7	349.9
Current Liab.	737.4	1166.1	1460.4
Fix. Chg. Cov.	416%	440%	435%

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '08-'10 to '14-'16
Revenues	9.5%	3.0%	3.0%
"Cash Flow"	4.0%	5.5%	4.0%
Earnings	5.0%	4.0%	5.0%
Dividends	2.0%	1.5%	2.0%
Book Value	6.5%	5.0%	4.5%

Fiscal Year Ends	QUARTERLY REVENUES ($ mill.) [A] Dec.31	Mar.31	Jun.30	Sep.30	Full Fiscal Year
2008	1657.5	2484.0	1639.1	1440.7	7221.3
2009	1716.3	1821.4	780.8	650.6	4969.1
2010	1292.9	1940.3	770.2	786.3	4789.7
2011	1157.0	2025	820	818	4820
2012	1110	1970	1050	850	4980

Fiscal Year Ends	EARNINGS PER SHARE [A B E] Dec.31	Mar.31	Jun.30	Sep.30	Full Fiscal Year
2008	.82	1.24	d.07	.02	2.00
2009	.83	1.29	.02	d.17	1.97
2010	1.00	1.17	d.03	.02	2.16
2011	.81	1.37	.09	.03	2.30
2012	.97	1.35	.06	.02	2.40

Calendar	QUARTERLY DIVIDENDS PAID [C ■] Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2007	.32	.32	.32	.325	1.29
2008	.325	.325	.325	.33	1.31
2009	.33	.33	.33	.335	1.33
2010	.335	.335	.335	.34	1.35
2011	.34				

BUSINESS: Atmos Energy Corporation is engaged primarily in the distribution and sale of natural gas to over three million customers via six regulated natural gas utility operations: Louisiana Division, West Texas Division, Mid-Tex Division, Mississippi Division, Colorado-Kansas Division, and Kentucky/Mid-States Division. Combined 2010 gas volumes: 323 MMcf. Breakdown: 59%, residential; 32%, commercial; 6%, industrial; and 3% other. 2010 depreciation rate 3.3%. Has around 4,915 employees. Officers and directors own 1.4% of common stock (12/10 Proxy). President and Chief Executive Officer: Kim R. Cocklin. Inc.: Texas. Address: Three Lincoln Centre, Suite 1800, 5430 LBJ Freeway, Dallas, Texas 75240. Telephone: 972-934-9227. Internet: www.atmosenergy.com.

Atmos Energy's share net plunged nearly 20% in the opening quarter of fiscal 2011, versus the year-earlier tally. The shortfall was attributable largely to the nonregulated segment, which experienced a modest unrealized net gain, relative to a much larger $0.29 gain the previous year.

But there were some positives. The gas utility posted improved earnings, as it benefited from higher rates in such states as Missouri, Kansas, Kentucky, and Texas. But these results were held back a bit by a 10% drop in throughput, reflecting warmer weather. Meanwhile, the regulated transmission and storage unit enjoyed an increase in fixed-fee services and revenues from filings under the Texas Gas Reliability Infrastructure Program. Lower per-unit transportation margins were somewhat of an offset here.

Consolidated share net stands to advance almost 7%, to $2.30, for the full fiscal year. This is based partly on our assumption that the nonregulated segment bounces back. Too, continued decent showings from the natural gas utility and regulated transmission and storage unit seem plausible. Next year, the bottom line may well increase at a similar rate, to $2.40 a share, as we look for a further expansion of operating margins.

Steady, though unexciting, results appear to be in store for the company out to 2014-2016. The utility is one of the country's largest natural gas-only distributors. Moreover, the unregulated segments, especially pipelines, possess healthy overall growth prospects. Lastly, management may resume its successful strategy of purchasing less efficient utilities and shoring up their profitability via expense-reduction initiatives, rate relief, and aggressive marketing efforts. But excluding future acquisitions, due to many uncertainties, annual share-net growth may be in the mid-single-digit range over the 3- to 5-year horizon.

The good-quality stock boasts a dividend yield that is higher than many natural gas utility stocks covered by *Value Line*. Additional increases in the distribution, though modest, seem likely. Meanwhile, these shares are ranked Average (3) for Timeliness.

Frederick L. Harris, III *March 11, 2011*

(A) Fiscal year ends Sept. 30th. (B) Diluted shrs. Excl. nonrec. items: '03, d17¢; '06, d18¢; '07, d2¢; '09, 12¢; '10, 5¢. Next egs. rpt. due early May. (C) Dividends historically paid in early March, June, Sept., and Dec. ■ Div. reinvestment plan. Direct stock purchase plan avail. (D) In millions. (E) Qtrs may not add due to change in shrs outstanding.

Company's Financial Strength	B+
Stock's Price Stability	100
Price Growth Persistence	50
Earnings Predictability	90

LACLEDE GROUP NYSE-LG

RECENT PRICE 38.30 | P/E RATIO 15.0 (Trailing: 15.6 Median: 14.0) | RELATIVE P/E RATIO 0.92 | DIV'D YLD 4.3% | VALUE LINE

TIMELINESS 3 Raised 11/19/10
SAFETY 2 Raised 6/20/03
TECHNICAL 4 Lowered 3/11/11
BETA .60 (1.00 = Market)

2014-16 PROJECTIONS

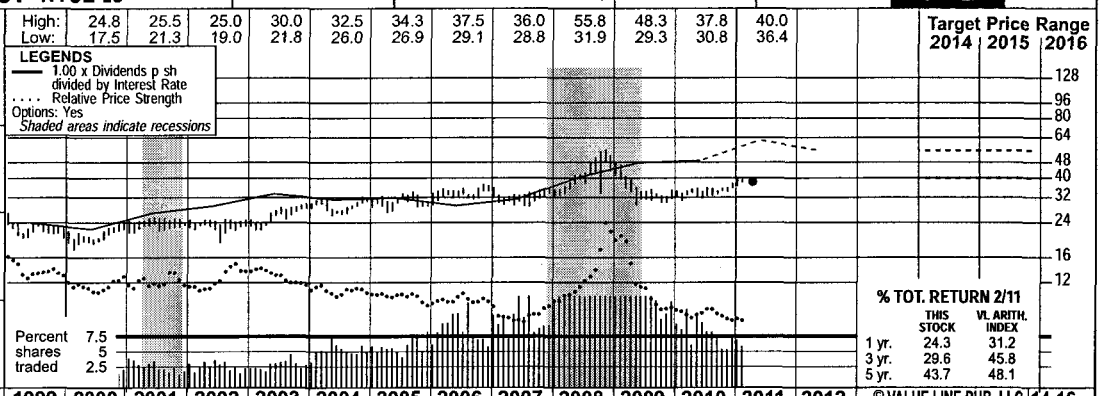
	Price	Gain	Ann'l Total Return
High	55	(+45%)	13%
Low	40	(+5%)	6%

Insider Decisions

	A	M	J	J	A	S	O	N	D
to Buy	0	0	0	0	0	0	0	0	0
Options	0	0	0	0	0	0	0	0	0
to Sell	0	0	0	0	0	0	0	0	0

Institutional Decisions

	1Q2010	2Q2010	3Q2010
to Buy	55	63	54
to Sell	60	58	53
Hld's(000)	10279	10043	10165



% TOT. RETURN 2/11

	THIS STOCK	VL ARITH. INDEX
1 yr.	24.3	31.2
3 yr.	29.6	45.8
5 yr.	43.7	48.1

1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	© VALUE LINE PUB. LLC	14-16
24.79	31.03	34.33	31.04	26.04	29.99	53.08	39.84	54.95	59.59	75.43	93.51	93.40	100.44	85.49	77.83	*77.80*	*78.90*	Revenues per sh	*96.15*
2.55	3.29	3.32	3.02	2.56	2.68	3.00	2.56	3.15	2.79	2.98	3.81	3.87	4.22	4.56	4.11	*4.35*	*4.50*	"Cash Flow" per sh	*5.20*
1.27	1.87	1.84	1.58	1.47	1.37	1.61	1.18	1.82	1.82	1.90	2.37	2.31	2.64	2.92	2.43	*2.55*	*2.65*	Earnings per sh [A B]	*3.15*
1.24	1.26	1.30	1.32	1.34	1.34	1.34	1.34	1.34	1.35	1.37	1.40	1.45	1.49	1.53	1.57	*1.61*	*1.65*	Div'ds Decl'd per sh [C ■]	*1.80*
2.63	2.35	2.44	2.68	2.58	2.77	2.51	2.80	2.67	2.45	2.84	2.97	2.72	2.57	2.36	2.56	*2.70*	*2.80*	Cap'l Spending per sh	*3.20*
13.05	13.72	14.26	14.57	14.96	14.99	15.26	15.07	15.65	16.96	17.31	18.85	19.79	22.12	23.32	24.02	*24.95*	*25.55*	Book Value per sh [D]	*31.15*
17.42	17.56	17.56	17.63	18.88	18.88	18.88	18.96	19.11	20.98	21.17	21.36	21.65	21.99	22.17	22.29	*22.50*	*23.00*	Common Shs Outst'g [E]	*26.00*
15.5	11.9	12.5	15.5	15.8	14.9	14.5	20.0	13.6	15.7	16.2	13.6	14.2	14.3	13.4	13.7	*Bold figures are Value Line estimates*		Avg Ann'l P/E Ratio	*15.5*
1.04	.75	.72	.81	.90	.97	.74	1.09	.78	.83	.86	.73	.75	.86	.89	.87			Relative P/E Ratio	*1.05*
6.3%	5.6%	5.6%	5.4%	5.8%	6.6%	5.7%	5.7%	5.4%	4.7%	4.4%	4.3%	4.4%	3.9%	3.9%	4.7%			Avg Ann'l Div'd Yield	*3.8%*
1002.1	755.2	1050.3	1250.3	1597.0	1997.6	2021.6	2209.0	1895.2	1735.0	*1750*	*1815*	Revenues ($mill) [A]	*2500*
30.5	22.4	34.6	36.1	40.1	50.5	49.8	57.6	64.3	54.0	*57.5*	*61.0*	Net Profit ($mill)	*80.0*
32.7%	35.4%	35.0%	34.8%	34.1%	32.5%	33.4%	31.3%	33.6%	33.4%	*34.5%*	*35.0%*	Income Tax Rate	*35.0%*
3.0%	3.0%	3.3%	2.9%	2.5%	2.5%	2.5%	2.6%	3.4%	3.1%	*3.3%*	*3.4%*	Net Profit Margin	*3.2%*
49.5%	47.5%	50.4%	51.6%	48.1%	49.5%	45.3%	44.4%	42.9%	40.5%	*40.0%*	*40.0%*	Long-Term Debt Ratio	*40.0%*
50.2%	52.3%	49.4%	48.3%	51.8%	50.4%	54.6%	55.5%	57.1%	59.5%	*60.0%*	*60.0%*	Common Equity Ratio	*60.0%*
574.1	546.6	605.0	737.4	707.9	798.9	784.5	876.1	906.3	899.9	*935*	*980*	Total Capital ($mill)	*1350*
602.5	594.4	621.2	646.9	679.5	763.8	793.8	823.2	855.9	884.1	*915*	*945*	Net Plant ($mill)	*1250*
6.9%	6.0%	7.4%	6.6%	7.6%	8.4%	8.5%	8.1%	8.7%	7.4%	*7.5%*	*7.5%*	Return on Total Cap'l	*7.0%*
10.5%	7.8%	11.5%	10.1%	10.9%	12.5%	11.6%	11.8%	12.4%	10.1%	*10.5%*	*10.5%*	Return on Shr. Equity	*10.0%*
10.5%	7.8%	11.6%	10.1%	10.9%	12.5%	11.6%	11.8%	12.4%	10.1%	*10.5%*	*10.5%*	Return on Com Equity	*10.0%*
1.8%	NMF	3.1%	2.7%	3.1%	5.1%	4.3%	5.2%	5.9%	3.6%	*4.0%*	*4.0%*	Retained to Com Eq	*4.5%*
83%	113%	74%	73%	72%	59%	63%	56%	53%	64%	*63%*	*62%*	All Div'ds to Net Prof	*57%*

CAPITAL STRUCTURE as of 12/31/10
Total Debt $461.8 mill. **Due in 5 Yrs** $155.0 mill.
LT Debt $364.3 mill. **LT Interest** $20.0 mill.
(Total interest coverage: 4.0x)

Leases, Uncapitalized Annual rentals $.9 mill.
Pension Assets-9/10 $240.9 mill.
Oblig. $398.4 mill.

Pfd Stock None
Common Stock 22,384,705 shs.
as of 1/27/11

MARKET CAP: $850 million (Small Cap)

CURRENT POSITION ($MILL.)	2009	2010	12/31/10
Cash Assets	74.6	86.9	25.1
Other	294.2	327.3	412.6
Current Assets	368.8	414.2	437.7
Accts Payable	72.8	95.6	125.3
Debt Due	129.8	129.6	97.5
Other	96.5	108.7	92.5
Current Liab.	299.1	333.9	315.3
Fix. Chg. Cov.	420%	391%	410%

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '08-'10 to '14-'16
Revenues	11.5%	7.0%	*1.5%*
"Cash Flow"	4.5%	7.5%	*3.5%*
Earnings	6.0%	7.5%	*3.0%*
Dividends	1.5%	2.5%	*2.5%*
Book Value	4.5%	7.0%	*5.0%*

Fiscal Year Ends	QUARTERLY REVENUES ($ mill.)[A] Dec.31	Mar.31	Jun.30	Sep.30	Full Fiscal Year
2008	504.0	747.7	505.5	451.8	2209.0
2009	674.3	659.1	309.9	251.9	1895.2
2010	491.2	635.3	324.5	284.0	1735.0
2011	444.2	*645.8*	*340*	*320*	*1750*
2012	*490*	*650*	*388*	*287*	*1815*

Fiscal Year Ends	EARNINGS PER SHARE [A B F] Dec.31	Mar.31	Jun.30	Sep.30	Full Fiscal Year
2008	.99	1.39	.41	d.14	2.64
2009	1.42	1.40	.31	d.22	2.92
2010	1.03	1.26	.21	d.07	2.43
2011	1.05	*1.30*	*.30*	*d.10*	*2.55*
2012	*1.05*	*1.36*	*.36*	*d.12*	*2.65*

Calendar	QUARTERLY DIVIDENDS PAID [C ■] Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2007	.365	.365	.365	.365	1.46
2008	.375	.375	.375	.375	1.50
2009	.385	.385	.385	.385	1.54
2010	.395	.395	.395	.395	1.58
2011	.405				

BUSINESS: Laclede Group, Inc., is a holding company for Laclede Gas, which distributes natural gas in eastern Missouri, including the city of St. Louis, St. Louis County, and parts of 10 other counties. Has roughly 630,000 customers. Purchased SM&P Utility Resources, 1/02; divested, 3/08. Therms sold and transported in fiscal 2010: .97 mill. Revenue mix for regulated operations: residential, 68%; commercial and industrial, 24%; transportation, 2%; other, 6%. Has around 1,700 employees. Officers and directors own approximately 8% of common shares (1/11 proxy). Chairman, Chief Executive Officer, and President: Douglas H. Yaeger. Incorporated: Missouri. Address: 720 Olive Street, St. Louis, Missouri 63101. Telephone: 314-342-0500. Internet: www.thelacledegroup.com.

Share net for Laclede Group was a couple of pennies higher in the opening quarter of fiscal 2011 (ends September 30th) than the year-earlier tally. Laclede Gas, the core subsidiary, benefited partly from a rate increase that went into effect on September 1, 2010. Too, operating costs here were down, made possible by effective collections efforts and expense-containment initiatives. Meanwhile, profits for Laclede Energy Resources were somewhat better, since results for the first quarter of last year include net unrealized losses on energy-related derivatives. But margins here were lower, as narrower regional price differentials continued (given a less-than-optimal economic environment).

In all, consolidated share net could advance roughly 5%, to $2.55, in fiscal 2011. Assuming further expansion of operating margins, the bottom line may well rise at a similar rate, to $2.65 a share, the next year.

Prospects out to 2014-2016 are not exciting. The customer base for the natural gas distributor has tended to grow at a sluggish annual rate for some time. Since the service territory, based in eastern Missouri, is in a mature phase, we expect more of the same going forward. Laclede Energy Resources has promising growth potential, but that unit has contributed only a small portion to total profits, on a historical basis. Consequently, Laclede's annual share-net advances may only be in the mid-single-digit range over the 3- to 5-year horizon. A major acquisition could brighten things, but management appears to be satisfied with the status quo, right now.

The equity's main attraction is the dividend yield, which is a bit higher than the average of all natural gas utility stocks tracked by *Value Line*. The payout should continue to be well-covered by the company's earnings, but future hikes may be moderate, at best. That's largely because of Laclede Gas' unspectacular long-term expansion prospects.

Total return possibilities are not exciting. Indeed, these shares are trading near our 2014-2016 Target Price Range. The dividend will probably continue to grow at a slow rate, as well.

Frederick L. Harris, III *March 11, 2011*

(A) Fiscal year ends Sept. 30th. (B) Based on average shares outstanding thru. '97, then diluted. Excludes nonrecurring loss: '06, 7¢. Excludes gain from discontinued operations: '08, 94¢. Next earnings report due late April. (C) Dividends historically paid in early January, April, July, and October. ■ Dividend reinvestment plan available. (D) Incl. deferred charges. In '10: $487.1 mill., $21.85/sh. (E) In millions. (F) Qtly. egs. may not sum due to rounding or change in shares outstanding.

Company's Financial Strength	B++
Stock's Price Stability	100
Price Growth Persistence	55
Earnings Predictability	80

NEW JERSEY RES. NYSE-NJR

RECENT PRICE **41.73** | P/E RATIO **15.7** (Trailing: 16.6 / Median: 15.0) | RELATIVE P/E RATIO **0.96** | DIV'D YLD **3.5%** | **VALUE LINE**

TIMELINESS 4 Lowered 3/11/11
SAFETY 1 Raised 9/15/06
TECHNICAL 3 Lowered 11/19/10
BETA .65 (1.00 = Market)

2014-16 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	50	(+20%)	8%
Low	40	(-5%)	3%

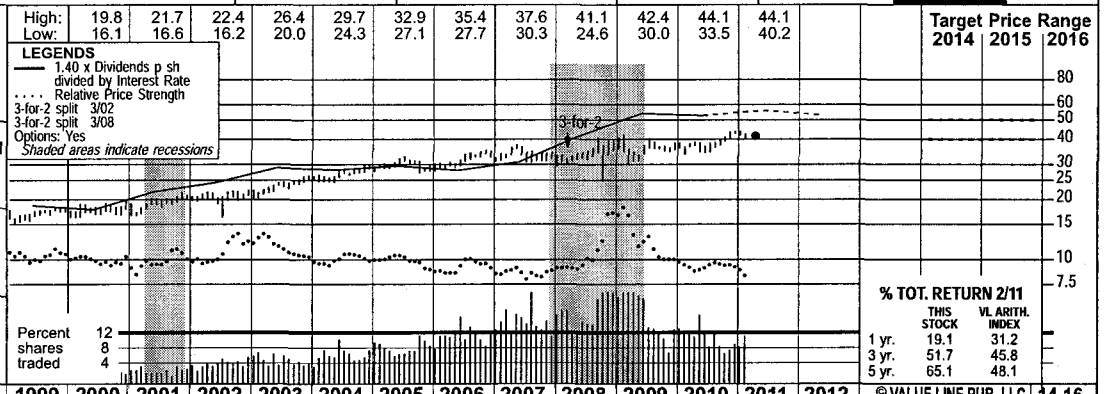
Insider Decisions

	A	M	J	J	A	S	O	N	D
to Buy	0	0	0	0	0	0	0	0	0
Options	0	1	0	0	1	0	0	0	0
to Sell	0	0	0	0	0	0	0	0	0

Institutional Decisions

	1Q2010	2Q2010	3Q2010
to Buy	53	59	60
to Sell	77	76	64
Hld's(000)	23468	23012	23366

High:	19.8	21.7	22.4	26.4	29.7	32.9	35.4	37.6	41.1	42.4	44.1	44.1
Low:	16.1	16.6	16.2	20.0	24.3	27.1	27.7	30.3	24.6	30.0	33.5	40.2



Target Price Range 2014 | 2015 | 2016
80 60 50 40 30 25 20 15 10 7.5

% TOT. RETURN 2/11

	THIS STOCK	VL ARITH. INDEX
1 yr.	19.1	31.2
3 yr.	51.7	45.8
5 yr.	65.1	48.1

1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	© VALUE LINE PUB. LLC	14-16
11.36	13.48	17.31	17.73	22.65	29.42	51.22	44.11	62.29	60.89	76.19	79.63	72.62	90.74	62.34	63.81	*68.30*	*72.15*	Revenues per sh [A]	*78.75*
1.42	1.48	1.63	1.74	1.86	1.99	2.12	2.14	2.38	2.50	2.62	2.73	2.44	3.62	3.16	3.28	*3.50*	*3.80*	"Cash Flow" per sh	*4.15*
.86	.92	.99	1.04	1.11	1.20	1.30	1.39	1.59	1.70	1.77	1.87	1.55	2.70	2.40	2.46	*2.65*	*2.85*	Earnings per sh [B]	*3.15*
.68	.69	.71	.73	.75	.76	.78	.80	.83	.87	.91	.96	1.01	1.11	1.24	1.36	*1.44*	*1.48*	Div'ds Decl'd per sh [C] ■	*1.60*
1.18	1.19	1.15	1.07	1.21	1.23	1.10	1.02	1.14	1.45	1.28	1.28	1.46	1.72	1.81	2.09	*1.95*	*2.00*	Cap'l Spending per sh	*2.00*
6.47	6.73	6.92	7.26	7.57	8.29	8.80	8.71	10.26	11.25	10.60	15.00	15.50	17.28	16.59	17.53	*18.60*	*19.15*	Book Value per sh [D]	*23.65*
40.03	40.69	40.23	40.07	39.92	39.59	40.00	41.50	40.85	41.61	41.32	41.44	41.61	42.06	41.59	41.36	*41.00*	*40.00*	Common Shs Outst'g [E]	*40.00*
11.8	13.6	13.5	15.3	15.2	14.7	14.2	14.7	14.0	15.3	16.8	16.1	21.6	12.3	14.9	15.0	*Bold figures are Value Line estimates*		Avg Ann'l P/E Ratio	*14.0*
.79	.85	.78	.80	.87	.96	.73	.80	.80	.81	.89	.87	1.15	.74	.99	.96			Relative P/E Ratio	*.95*
6.7%	5.6%	5.3%	4.6%	4.5%	4.4%	4.2%	3.9%	3.7%	3.3%	3.1%	3.2%	3.0%	3.3%	3.5%	3.7%			Avg Ann'l Div'd Yield	*3.7%*
2048.4	1830.8	2544.4	2533.6	3148.3	3299.6	3021.8	3816.2	2592.5	2639.3	*2800*	*2885*	Revenues ($mill) [A]	*3150*
52.3	56.8	65.4	71.6	74.4	78.5	65.3	113.9	101.0	102.4	*110*	*115*	Net Profit ($mill)	*125*
38.0%	38.7%	39.4%	39.1%	39.1%	38.9%	38.8%	37.8%	27.1%	37.6%	*35.0%*	*35.0%*	Income Tax Rate	*35.0%*
2.6%	3.1%	2.6%	2.8%	2.4%	2.4%	2.2%	3.0%	3.9%	3.9%	*4.0%*	*4.0%*	Net Profit Margin	*4.0%*
50.1%	50.6%	38.1%	40.3%	42.0%	34.8%	37.3%	38.5%	39.8%	37.2%	*37.0%*	*39.5%*	Long-Term Debt Ratio	*34.5%*
49.9%	49.4%	61.9%	59.7%	58.0%	65.2%	62.7%	61.5%	60.2%	62.8%	*63.0%*	*60.5%*	Common Equity Ratio	*65.5%*
706.2	732.4	676.8	783.8	755.3	954.0	1028.0	1182.1	1144.8	1154.4	*1210*	*1265*	Total Capital ($mill)	*1445*
743.9	756.4	852.6	880.4	905.1	934.9	970.9	1017.3	1064.4	1135.7	*1160*	*1180*	Net Plant ($mill)	*1255*
8.5%	8.7%	10.7%	10.1%	11.2%	9.6%	7.7%	10.7%	9.7%	9.8%	*10.0%*	*10.0%*	Return on Total Cap'l	*9.5%*
14.8%	15.7%	15.6%	15.3%	17.0%	12.6%	10.1%	15.7%	14.6%	14.1%	*14.5%*	*15.0%*	Return on Shr. Equity	*13.5%*
14.9%	15.7%	15.6%	15.3%	17.0%	12.6%	10.1%	15.7%	14.6%	14.1%	*14.5%*	*15.0%*	Return on Com Equity	*13.5%*
6.1%	6.9%	7.7%	7.8%	8.5%	6.3%	3.6%	9.5%	7.2%	6.8%	*6.5%*	*7.0%*	Retained to Com Eq	*6.5%*
59%	56%	51%	49%	50%	50%	64%	40%	50%	52%	*54%*	*52%*	All Div'ds to Net Prof	*51%*

CAPITAL STRUCTURE as of 12/31/10
Total Debt $785.6 mill. **Due in 5 Yrs** $544.5 mill.
LT Debt $432.5 mill. **LT Interest** $11.7 mill.
Incl. $14.6 mill. capitalized leases.
(LT interest earned: 7.5x; total interest coverage: 7.5x)
Pension Assets-9/10 $150.5 mill.
Oblig. $244.5 mill.
Pfd Stock None

Common Stock 41,250,098 shs.
as of 11/22/10
MARKET CAP: $1.7 billion (Mid Cap)

CURRENT POSITION ($MILL.)	2009	2010	12/30/10
Cash Assets	36.2	.9	6.7
Other	648.0	784.1	910.9
Current Assets	684.2	785.0	917.6
Accts Payable	44.4	47.3	45.3
Debt Due	149.9	178.9	353.1
Other	361.9	479.6	443.2
Current Liab.	556.2	705.8	841.6
Fix. Chg. Cov.	711%	700%	700%

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '08-'10 to '14-'16
Revenues	12.0%	1.5%	*1.5%*
"Cash Flow"	6.0%	6.0%	*3.5%*
Earnings	8.5%	8.5%	*4.0%*
Dividends	5.0%	7.5%	*4.5%*
Book Value	8.5%	10.0%	*5.5%*

Fiscal Year Ends	QUARTERLY REVENUES ($ mill.) [A] Dec.31	Mar.31	Jun.30	Sep.30	Full Fiscal Year
2008	811.1	1178	1000	827.1	3816.2
2009	801.3	937.5	441.1	412.6	2592.5
2010	609.6	918.4	479.8	631.5	2639.3
2011	713.2	*936.8*	*490*	*660*	*2800*
2012	*735*	*955*	*510*	*685*	*2885*

Fiscal Year Ends	EARNINGS PER SHARE [A B] Dec.31	Mar.31	Jun.30	Sep.30	Full Fiscal Year
2008	1.31	1.86	d.10	d.39	2.70
2009	.77	1.71	.03	d.12	2.40
2010	.66	1.55	.28	d.03	2.46
2011	.71	*1.60*	*.30*	*.04*	*2.65*
2012	*.75*	*1.65*	*.35*	*.10*	*2.85*

Cal-endar	QUARTERLY DIVIDENDS PAID [C E] ■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2007	.253	.253	.253	.253	1.01
2008	.267	.28	.28	.28	1.11
2009	.31	.31	.31	.31	1.24
2010	.34	.34	.34	.34	1.36
2011	.36				

BUSINESS: New Jersey Resources Corp. is a holding company providing retail/wholesale energy svcs. to customers in New Jersey, and in states from the Gulf Coast to New England, and Canada. New Jersey Natural Gas had about 490,310 customers at 9/30/10 in Monmouth and Ocean Counties, and other N.J. Counties. Fiscal 2010 volume: 150 bill. cu. ft. (5% interruptible, 39% residential and commercial and electric utility, 56% incentive programs). N.J. Natural Energy subsidiary provides unregulated retail/wholesale natural gas and related energy svcs. 2010 dep. rate: 2.2%. Has 887 empls. Off./dir. own about 1.5% of common (12/10 Proxy). Chrmn., CEO & Pres. : Laurence M. Downes. Inc.: NJ Addr.: 1415 Wyckoff Road, Wall, NJ 07719. Tel.: 732-938-1480. Web: www.njresources.com.

New Jersey Resources is off to a good start in fiscal 2011. Top-line volumes advanced 17% over last year's same period, thanks to 1,640 additional customers at the New Jersey Natural Gas (NJNG) subsidiary. Elsewhere, NJR's midstream assets like the Steckman Ridge storage facility and its equity investment in the Iroquois Pipeline are both contributing nicely. Too, lower operating and maintenance expenses have been aiding profitability, contributing to a 7.6% increase in the bottom line, to $0.71 a share.

The company will likely post a high single-digit earnings advance this year. NJNG ought to contribute the lion's share to the top and bottom lines in 2011. That unit is expected to add about 6,500 new accounts this year, as natural gas continues to hold a price advantage over other home heating fuels. This is further benefited from energy efficiency initiatives offered by the state of New Jersey.

Capital projects augur well for long-term prospects. Large infrastructure enhancement initiatives should help to boost efficiency and reliability at NJR. The company has 14 projects planned and in construction. All of these are scheduled for accelerated completion, this summer.

The balance sheet is in good shape. Cash reserves increased sevenfold, to about $6.7 million during the first quarter. Historically this is still a pretty low level for NJR, but the trend is in the right direction. Meanwhile, its long-term debt levels have remained flat during the December interim. And the board recently increased the quarterly dividend by 5.9%, to $0.36 a share, or $1.44 annual.

We have introduced our 2012 bottom-line estimate of $2.85 a share. Additional customer accounts are projected at 12,000-14,000 over the next two years which should aide the top line. Meanwhile, as the Sunlight Advantage solar project gains steam, the company could benefit from federal investment tax credits that may further boost profitability.

But, at the current price, the stock does not stand out. It offers below-average appreciation potential for the pull to 2014-2016. And its dividend yield is a tad below average when compared to other utilities in the *Value Line* universe.

Bryan J. Fong *March 11, 2011*

(A) Fiscal year ends Sept. 30th.
(B) Diluted earnings. Qtly egs may not sum to total due to change in shares outstanding. Next earnings report due late April.
(C) Dividends historically paid in early January, April, July, and October. ■ Dividend reinvestment plan available.
(D) Includes regulatory assets in 2010: $454.6 million, $10.99/share.
(E) In millions, adjusted for splits.
(F) Restated.

Company's Financial Strength	A
Stock's Price Stability	100
Price Growth Persistence	60
Earnings Predictability	50

N.W. NAT'L GAS NYSE-NWN

RECENT PRICE 46.70 | P/E RATIO 17.9 (Trailing: 17.1 Median: 16.0) | RELATIVE P/E RATIO 1.10 | DIV'D YLD 3.7% | VALUE LINE

TIMELINESS 3 Raised 8/13/10
SAFETY 1 Raised 3/18/05
TECHNICAL 4 Lowered 3/4/11
BETA .60 (1.00 = Market)

2014-16 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	60	(+30%)	10%
Low	50	(+5%)	5%

Insider Decisions

	A	M	J	J	A	S	O	N	D
to Buy	0	0	0	0	0	0	0	0	0
Options	0	2	2	0	3	3	0	0	0
to Sell	0	2	2	0	3	4	0	0	1

Institutional Decisions

	1Q2010	2Q2010	3Q2010
to Buy	56	62	63
to Sell	69	74	59
Hld's(000)	13750	15136	15723

	2007	2008	2009	2010
High:	27.5	26.8	30.7	31.3
Low:	17.8	21.7	23.5	24.0
	34.1	39.6	43.7	52.8
	27.5	32.4	32.8	39.8
	55.2	46.5	50.9	47.4
	37.7	37.7	41.1	43.9

LEGENDS
1.10 x Dividends p sh divided by Interest Rate
.... Relative Price Strength
Options: Yes
Shaded areas indicate recessions

Target Price Range 2014 | 2015 | 2016

% TOT. RETURN 2/11

	THIS STOCK	VL ARITH. INDEX
1 yr.	10.7	31.2
3 yr.	24.4	45.8
5 yr.	63.5	48.1

1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	© VALUE LINE PUB. LLC	14-16
16.02	16.86	15.82	16.77	18.17	21.09	25.78	25.07	23.57	25.69	33.01	37.20	39.13	39.16	38.17	30.45	*29.55*	*30.95*	Revenues per sh	*35.25*
3.41	3.86	3.72	3.24	3.72	3.68	3.86	3.65	3.85	3.92	4.34	4.76	5.41	5.31	5.20	5.15	*5.40*	*5.60*	"Cash Flow" per sh	*6.10*
1.61	1.97	1.76	1.02	1.70	1.79	1.88	1.62	1.76	1.86	2.11	2.35	2.76	2.57	2.83	2.73	*2.80*	*2.90*	Earnings per sh A	*3.20*
1.18	1.20	1.21	1.22	1.23	1.24	1.25	1.26	1.27	1.30	1.32	1.39	1.44	1.52	1.60	1.68	*1.72*	*1.76*	Div'ds Decl'd per sh B■	*1.88*
3.02	3.70	5.07	4.02	4.78	3.46	3.23	3.11	4.90	5.52	3.48	3.56	4.48	3.92	5.09	9.30	*3.75*	*4.50*	Cap'l Spending per sh	*6.70*
14.55	15.37	16.02	16.59	17.12	17.93	18.56	18.88	19.52	20.64	21.28	22.01	22.52	23.71	24.88	25.95	*26.90*	*28.00*	Book Value per sh	*31.60*
22.24	22.56	22.86	24.85	25.09	25.23	25.23	25.59	25.94	27.55	27.58	27.24	26.41	26.50	26.53	26.67	*26.75*	*26.80*	Common Shs Outst'g C	*26.95*
12.9	11.7	14.4	26.7	14.5	12.4	12.9	17.2	15.8	16.7	17.0	15.9	16.7	18.1	15.2	17.9	*Bold figures are Value Line estimates*		Avg Ann'l P/E Ratio	*17.0*
.86	.73	.83	1.39	.83	.81	.66	.94	.90	.88	.91	.86	.89	1.09	1.01	1.10			Relative P/E Ratio	*1.15*
5.7%	5.2%	4.8%	4.5%	5.0%	5.6%	5.1%	4.5%	4.6%	4.2%	3.7%	3.7%	3.1%	3.3%	3.7%	3.8%			Avg Ann'l Div'd Yield	*3.6%*
650.3	641.4	611.3	707.6	910.5	1013.2	1033.2	1037.9	1012.7	812.1	*820*	*850*	Revenues ($mill)	*950*
50.2	43.8	46.0	50.6	58.1	65.2	74.5	68.5	75.1	72.7	*75.0*	*78.0*	Net Profit ($mill)	*86.0*
35.4%	34.9%	33.7%	34.4%	36.0%	36.3%	37.2%	36.9%	38.3%	31.4%	*38.0%*	*38.0%*	Income Tax Rate	*38.0%*
7.7%	6.8%	7.5%	7.1%	6.4%	6.4%	7.2%	6.6%	7.4%	8.9%	*9.5%*	*9.5%*	Net Profit Margin	*9.0%*
43.0%	47.6%	49.7%	46.0%	47.0%	46.3%	46.3%	44.9%	47.7%	46.5%	*43%*	*41%*	Long-Term Debt Ratio	*34%*
53.2%	51.5%	50.3%	54.0%	53.0%	53.7%	53.7%	55.1%	52.3%	53.5%	*57%*	*59%*	Common Equity Ratio	*66%*
880.5	937.3	1006.6	1052.5	1108.4	1116.5	1106.8	1140.4	1261.8	1294.8	*1270*	*1270*	Total Capital ($mill)	*1285*
965.0	995.6	1205.9	1318.4	1373.4	1425.1	1495.9	1549.1	1670.1	1854.2	*2005*	*2165*	Net Plant ($mill)	*2495*
6.9%	5.9%	5.7%	5.9%	6.5%	7.1%	8.5%	7.7%	7.3%	5.6%	*6.0%*	*6.0%*	Return on Total Cap'l	*6.5%*
10.0%	8.9%	9.1%	8.9%	9.9%	10.9%	12.5%	10.9%	11.4%	10.5%	*10.5%*	*10.5%*	Return on Shr. Equity	*10.0%*
10.2%	8.5%	9.0%	8.9%	9.9%	10.9%	12.5%	10.9%	11.4%	10.5%	*10.5%*	*10.5%*	Return on Com Equity	*10.0%*
3.5%	1.9%	2.6%	2.7%	3.7%	4.5%	6.0%	4.5%	5.0%	4.0%	*4.0%*	*4.0%*	Retained to Com Eq	*4.0%*
67%	79%	72%	69%	63%	59%	52%	59%	56%	61%	*62%*	*61%*	All Div'ds to Net Prof	*59%*

CAPITAL STRUCTURE as of 12/31/10
Total Debt $859.1 mill. **Due in 5 Yrs** $260 mill.
LT Debt $591.7 mill. **LT Interest** $41.0 mill.

(Total interest coverage: 7.0x)

Pension Assets-12/10 $219 mill.
Oblig. $337.3 mill.

Pfd Stock None

Common Stock 26,668,712 shares

MARKET CAP $1.2 billion (Mid Cap)

CURRENT POSITION ($MILL.)	2008	2009	12/31/10
Cash Assets	6.9	8.4	3.5
Other	474.1	319.8	326.8
Current Assets	481.0	328.2	330.3
Accts Payable	94.4	123.7	93.2
Debt Due	248.0	137.0	267.4
Other	208.9	131.9	107.6
Current Liab.	551.3	392.6	468.2
Fx. Chg. Cov.	408%	395%	495%

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '08-'10 to '14-'16
Revenues	8.5%	9.5%	*-2.0%*
"Cash Flow"	4.0%	7.0%	*2.0%*
Earnings	6.0%	9.5%	*3.0%*
Dividends	2.0%	3.5%	*4.0%*
Book Value	3.5%	4.0%	*4.0%*

Calendar	QUARTERLY REVENUES ($ mill.) Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2008	387.7	191.3	109.7	349.2	1037.9
2009	437.4	149.1	116.9	309.3	1012.7
2010	286.5	162.4	95.1	268.1	812.1
2011	*320*	*165*	*100*	*235*	*820*
2012	*325*	*175*	*110*	*240*	*850*

Calendar	EARNINGS PER SHARE A Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2008	1.62	.08	d.38	1.25	2.57
2009	1.78	.12	d.25	1.18	2.83
2010	1.64	.26	d.28	1.11	2.73
2011	*1.75*	*.10*	*d.35*	*1.30*	*2.80*
2012	*1.80*	*.20*	*d.40*	*1.30*	*2.90*

Calendar	QUARTERLY DIVIDENDS PAID B ■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2007	.355	.355	.355	.375	1.44
2008	.375	.375	.375	.395	1.52
2009	.395	.395	.395	.415	1.60
2010	.415	.415	.415	.435	1.68
2011	.435				

BUSINESS: Northwest Natural Gas Co. distributes natural gas to 90 communities, 668,000 customers, in Oregon (90% of customers) and in southwest Washington state. Principal cities served: Portland and Eugene, OR; Vancouver, WA. Service area population: 2.5 mill. (77% in OR). Company buys gas supply from Canadian and U.S. producers; has transportation rights on Northwest Pipeline system. Owns local underground storage. Rev. breakdown: residential, 57%; commercial, 26%; industrial, gas transportation, and other, 17%. Employs 1,061. Barclays Global owns 6.6% of shares; officers and directors, 1.4% (4/10 proxy). CEO: Gregg S. Kantor. Inc.: Oregon. Address: 220 NW 2nd Ave., Portland, OR 97209. Telephone: 503-226-4211. Internet: www.nwnatural.com.

Northwest Natural Gas is slated to perform well in 2011. Improving customer growth levels and various new projects should result in a bottom-line boost.

Customer growth continues to gain momentum, which ought to fuel revenue advances this year. We expect the modest increases experienced over the past few quarters to continue, as the economy stabilizes. Growth should pick up considerably in 2012, and remain elevated through the 2014-2016 period.

The company is focusing on infrastructure to boost the top and bottom lines. The Gill Ranch project, a California-based storage facility, is likely to add to earnings in 2011. Northwest has already signed several multiple-year contracts for Gill Ranch, and expects the base to continue growing throughout the year. Finally, management has indicated that the company will begin a second phase of expansion at the facility, which should be operational next year. This, in turn, ought to provide a boost to earnings by 2014-2016. Another major expansion in the works is the Mist Storage facility; full capacity should be reached late next year. Lastly, hope has finally dawned for the Palomar project. Williams Northwest Pipeline was brought in to join the venture, which greatly increases the chance of a successful completion. The company is currently signing up shippers, as the Palomar Pipeline is likely to begin operations in late 2014. Investors should note that as a result of previous problems on the project, the company's stake has been reduced from 50% to 33%, limiting future benefits.

Rate cases are likely to play a part in earnings growth. It is quite likely that Northwest will choose to file for a rate increase in Oregon in the third quarter. The state regulatory body is quite sympathetic, and it has been eight years since the last increase. This raises the likelihood of a favorable ruling. Management has indicated a rate case is in the works in Washington, as well, with a decision expected late 2011 or early 2012. No other details are known.

There are better options in the industry at this time. This neutrally ranked stock has limited long-term appreciation potential, and its dividend yield is only marginally above the industry average.

Sahana Zutshi *March 11, 2011*

(A) Diluted earnings per share. Excludes nonrecurring items: '98, $0.15; '00, $0.11; '06, ($0.06); '08, ($0.03); '09, 6¢. Next earnings report due late April.

(B) Dividends historically paid in mid-February, May, August, and November.
■ Dividend reinvestment plan available.
(C) In millions.

Company's Financial Strength	A
Stock's Price Stability	100
Price Growth Persistence	70
Earnings Predictability	95

PIEDMONT NAT'L. GAS NYSE-PNY

RECENT PRICE 29.24 | P/E RATIO 18.3 (Trailing: 19.1 Median: 17.0) | RELATIVE P/E RATIO 1.12 | DIV'D YLD 3.8% | VALUE LINE

TIMELINESS 4 Raised 3/11/11
SAFETY 2 New 7/27/90
TECHNICAL 3 Lowered 7/2/10
BETA .65 (1.00 = Market)

2014-16 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	40	(+35%)	12%
Low	30	(+5%)	5%

Insider Decisions

	A	M	J	J	A	S	O	N	D
to Buy	0	0	1	0	0	0	0	1	0
Options	0	0	0	0	0	0	0	0	0
to Sell	0	0	0	1	0	0	0	0	0

Institutional Decisions

	1Q2010	2Q2010	3Q2010
to Buy	70	84	87
to Sell	77	95	81
Hld's(000)	33448	32253	33260

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	© VALUE LINE PUB. LLC	14-16
High:	19.7	19.0	19.0	22.0	24.3	25.8	28.4	28.0	35.3	32.0	30.1	29.8								
Low:	11.8	14.6	13.7	16.6	19.2	21.3	23.2	22.0	21.7	20.7	23.9	27.6								
	8.76	11.59	12.84	12.45	10.97	13.01	17.06	12.57	18.14	19.95	22.96	25.80	23.37	28.52	22.36	21.48	*22.40*	*23.25*	Revenues per sh [A]	*26.15*
	1.25	1.49	1.62	1.72	1.70	1.77	1.81	1.81	2.04	2.31	2.43	2.51	2.64	2.77	3.01	2.91	*3.00*	*3.15*	"Cash Flow" per sh	*3.45*
	.73	.84	.93	.98	.93	1.01	1.01	.95	1.11	1.27	1.32	1.28	1.40	1.49	1.67	1.55	*1.60*	*1.70*	Earnings per sh [AB]	*1.90*
	.54	.57	.61	.64	.68	.72	.76	.80	.82	.85	.91	.95	.99	1.03	1.07	1.11	*1.15*	*1.19*	Div'ds Decl'd per sh [C] ■	*1.31*
	1.72	1.64	1.52	1.48	1.58	1.65	1.29	1.21	1.16	1.85	2.50	2.74	1.85	2.47	1.76	2.75	*4.40*	*2.80*	Cap'l Spending per sh	*2.95*
	6.16	6.53	6.95	7.45	7.86	8.26	8.63	8.91	9.36	11.15	11.53	11.83	11.99	12.11	12.67	13.35	*13.60*	*14.15*	Book Value per sh [D]	*14.90*
	57.67	59.10	60.39	61.48	62.59	63.83	64.93	66.18	67.31	76.67	76.70	74.61	73.23	73.26	73.27	72.28	*71.50*	*71.00*	Common Shs Outst'g [E]	*69.00*
	13.8	13.9	13.6	16.3	17.7	14.3	16.7	18.4	16.7	16.6	17.9	19.2	18.7	18.2	15.4	17.1	*Bold figures are*		Avg Ann'l P/E Ratio	*18.0*
	.92	.87	.78	.85	1.01	.93	.86	1.01	.95	.88	.95	1.04	.99	1.10	1.03	1.08	*Value Line*		Relative P/E Ratio	*1.20*
	5.4%	4.9%	4.8%	4.0%	4.1%	5.0%	4.5%	4.6%	4.4%	4.1%	3.8%	3.9%	3.8%	3.8%	4.1%	4.2%	*estimates*		Avg Ann'l Div'd Yield	*3.7%*
	1107.9	832.0	1220.8	1529.7	1761.1	1924.6	1711.3	2089.1	1638.1	1552.3	*1600*	*1650*	Revenues ($mill) [A]	*1805*
	65.5	62.2	74.4	95.2	101.3	97.2	104.4	110.0	122.8	111.8	*115*	*120*	Net Profit ($mill)	*130*
	34.6%	33.1%	34.8%	35.1%	33.7%	34.2%	33.0%	36.3%	28.5%	23.4%	*30.0%*	*30.0%*	Income Tax Rate	*30.0%*
	5.9%	7.5%	6.1%	6.2%	5.8%	5.0%	6.1%	5.3%	7.5%	7.2%	*7.2%*	*7.3%*	Net Profit Margin	*7.3%*
	47.6%	43.9%	42.2%	43.6%	41.4%	48.3%	48.4%	47.2%	44.1%	41.0%	*42.0%*	*41.0%*	Long-Term Debt Ratio	*40.5%*
	52.4%	56.1%	57.8%	56.4%	58.6%	51.7%	51.6%	52.8%	55.9%	59.0%	*58.0%*	*59.0%*	Common Equity Ratio	*59.5%*
	1069.4	1051.6	1090.2	1514.9	1509.2	1707.9	1703.3	1681.5	1660.5	1636.9	*1675*	*1700*	Total Capital ($mill)	*1725*
	1114.7	1158.5	1812.3	1849.8	1939.1	2075.3	2141.5	2240.8	2304.4	2437.7	*2450*	*2500*	Net Plant ($mill)	*2650*
	7.9%	7.8%	8.6%	7.8%	8.2%	7.2%	7.8%	8.2%	9.1%	8.4%	*8.0%*	*8.5%*	Return on Total Cap'l	*9.0%*
	11.7%	10.6%	11.8%	11.1%	11.5%	11.0%	11.9%	12.4%	13.2%	11.6%	*12.0%*	*12.0%*	Return on Shr. Equity	*12.5%*
	11.7%	10.6%	11.8%	11.1%	11.5%	11.0%	11.9%	12.4%	13.2%	11.6%	*12.0%*	*12.0%*	Return on Com Equity	*12.5%*
	3.0%	1.7%	3.1%	3.7%	3.6%	2.8%	3.5%	3.9%	4.8%	3.3%	*3.5%*	*3.5%*	Retained to Com Eq	*4.0%*
	75%	83%	74%	66%	68%	74%	70%	69%	64%	72%	*72%*	*70%*	All Div'ds to Net Prof	*68%*

% TOT. RETURN 2/11

	THIS STOCK	VL ARITH. INDEX
1 yr.	16.8	31.2
3 yr.	32.7	45.8
5 yr.	42.5	48.1

Target Price Range 2014 | 2015 | 2016

LEGENDS
1.40 x Dividends p sh divided by Interest Rate
Relative Price Strength
2-for-1 split 11/04
Options: Yes
Shaded areas indicate recessions

2-for-1

Percent shares traded 7.5 5 2.5

CAPITAL STRUCTURE as of 10/31/10
Total Debt $973.9 mill. **Due in 5 Yrs** $160.0 mill.
LT Debt $671.9 mill. **LT Interest** $50.2 mill.
(LT interest earned: 4.1x; total interest coverage: 3.5x)

Pension Assets-10/10 $228.3 mill.
Oblig. $211.0 mill.

Pfd Stock None

Common Stock 72,310,563 shs.
as of 12/17/10
MARKET CAP: $2.1 billion (Mid Cap)

CURRENT POSITION ($MILL.)	2008	2009	10/31/10
Cash Assets	7.0	7.6	5.6
Other	593.8	505.6	322.2
Current Assets	600.8	513.2	327.8
Accts Payable	132.3	115.4	115.7
Debt Due	436.5	366.0	302.0
Other	112.7	118.8	80.9
Current Liab.	681.5	600.2	498.6
Fix. Chg. Cov.	341%	316%	316%

ANNUAL RATES (of change (per sh))	Past 10 Yrs.	Past 5 Yrs.	Est'd '08-'10 to '14-'16
Revenues	7.0%	3.5%	*1.5%*
"Cash Flow"	5.5%	5.0%	*3.0%*
Earnings	5.0%	5.0%	*3.5%*
Dividends	4.5%	4.5%	*3.5%*
Book Value	5.0%	3.5%	*3.0%*

Fiscal Year Ends	QUARTERLY REVENUES ($ mill.) [A] Jan.31	Apr.30	Jul.31	Oct.31	Full Fiscal Year
2008	788.5	634.2	354.7	311.7	2089.1
2009	779.6	455.4	180.3	222.8	1638.1
2010	673.7	472.9	211.6	194.1	1552.3
2011	*690*	*485*	*220*	*205*	*1600*
2012	*705*	*495*	*235*	*215*	*1650*

Fiscal Year Ends	EARNINGS PER SHARE [A B] Jan.31	Apr.30	Jul.31	Oct.31	Full Fiscal Year
2008	1.12	.66	d.10	d.18	1.49
2009	1.10	.73	d.10	d.06	1.67
2010	1.14	.65	d.13	d.13	1.55
2011	*1.15*	*.66*	*d.09*	*d.12*	*1.60*
2012	*1.17*	*.69*	*d.06*	*d.10*	*1.70*

Calendar	QUARTERLY DIVIDENDS PAID [C] ■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2007	.24	.25	.25	.25	.99
2008	.25	.26	.26	.26	1.03
2009	.26	.27	.27	.27	1.07
2010	.27	.28	.28	.28	1.11
2011	.28				

BUSINESS: Piedmont Natural Gas Company is primarily a regulated natural gas distributor, serving over 960,801 customers in North Carolina, South Carolina, and Tennessee. 2010 revenue mix: residential (48%), commercial (28%), industrial (7%), other (17%). Principal suppliers: Transco and Tennessee Pipeline. Gas costs: 64.4% of revenues. '10 deprec. rate: 3.2%. Estimated plant age: 9.3 years. Non-regulated operations: sale of gas-powered heating equipment; natural gas brokering; propane sales. Has about 1,821 employees. Off./dir. own about 1.5% of common stock, State Street; 6.4% (1/10 proxy). Chrmn., CEO, & Pres.: Thomas E. Skains. Inc.: NC. Addr.: 4720 Piedmont Row Drive, Charlotte, NC 28210. Telephone: 704-364-3120. Internet: www.piedmontng.com.

Piedmont Natural Gas likely posted fiscal first-quarter (ended January 31st) earnings in line with last year's. *(Note: The company was scheduled to release financial data shortly after this review went to press.)* Customer additions in North Carolina, South Carolina, and Tennessee ought to have helped offset the effects of lower natural gas pricing, which impacted the top line all last year. Consequently, revenues should register an advance of about 2.5% for the January interim. And share net probably increased by a penny.

We have trimmed our top-line estimate for 2011. This is largely a reflection of the challenging economic conditions in the company's market area. Nonetheless, lower interest expenses due to debt refinancing, as well as the increased customer base should act favorably on margins causing the bottom line to register a low single-digit advance.

Large capital investments this year augur well for prospects. The company has plans for multiple gas-fired power generation sites in its pipeline to serve its customer base in North Carolina.

The overall financial position is in good shape. Cash declined about 25% over the course of last year, to roughly $5.6 million. Meanwhile, the company's debt load also decreased 8.5%, to approximately $670 million. Too, PNY has been taking advantage of the favorable interest-rate environment by refinancing some of its higher-yielding notes. This should help to improve the company's operating metrics. And, Piedmont used the proceeds from last year's Southstar divestiture to repurchase about a million shares of stock, providing a benefit to share net moving forward.

We have introduced our 2012 share-net estimate at $1.70. Continued customer additions and somewhat better prospects for regional economic growth ought to contribute to the quickening pace of earnings advances next year.

Good-quality shares of Piedmont have appeal as an income vehicle. However, total return potential for the pull to 2014-2016 is below average. And the stock is still ranked to lag the broader-market averages in the coming year.

Bryan J. Fong *March 11, 2011*

(A) Fiscal year ends October 31st.
(B) Diluted earnings. Excl. extraordinary item: '00, 8¢. Excl. nonrecurring gains (losses): '97, (2¢); '10, 41¢. Next earnings report due early May. Quarters may not add to total due to change in shares outstanding.
(C) Dividends historically paid mid-January, April, July, October.
■ Div'd reinvest. plan available; 5% discount.
(D) Includes deferred charges. In 2010: $14.8 million, 21¢/share.
(E) In millions, adjusted for stock split.

Company's Financial Strength	B++
Stock's Price Stability	100
Price Growth Persistence	60
Earnings Predictability	95

SOUTH JERSEY INDS. NYSE-SJI

RECENT PRICE 54.79 | P/E RATIO 19.1 (Trailing: 20.3 Median: 14.0) | RELATIVE P/E RATIO 1.17 | DIV'D YLD 2.7% | VALUE LINE

TIMELINESS 3 Lowered 10/15/10
SAFETY 2 Lowered 1/4/91
TECHNICAL 4 Lowered 2/25/11
BETA .65 (1.00 = Market)

2014-16 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	65	(20%)	7%
Low	50	(-10%)	1%

Insider Decisions

	A	M	J	J	A	S	O	N	D
to Buy	0	0	0	0	0	0	0	0	0
Options	0	0	0	0	0	0	0	0	0
to Sell	0	0	0	0	2	0	0	0	1

Institutional Decisions

	1Q2010	2Q2010	3Q2010
to Buy	60	57	60
to Sell	69	69	50
Hld's(000)	17455	17649	18334

High:	15.1	17.0	18.3	20.3	26.5	32.4	34.3	41.3	40.6	40.8	54.2	55.7						
Low:	12.3	13.8	14.1	15.3	19.7	24.9	25.6	31.2	25.2	32.0	37.2	51.9						

LEGENDS
1.25 x Dividends p sh divided by Interest Rate
Relative Price Strength
2-for-1 split 7/05
Options: Yes
Shaded areas indicate recessions

Target Price Range 2014 | 2015 | 2016

% TOT. RETURN 2/11

	THIS STOCK	VL ARITH. INDEX
1 yr.	41.8	31.2
3 yr.	76.8	45.8
5 yr.	124.4	48.1

1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	© VALUE LINE PUB. LLC	14-16
16.50	16.52	16.18	20.89	17.60	22.43	35.30	20.69	26.34	29.51	31.78	31.76	32.30	32.36	28.37	30.97	*31.60*	*33.15*	Revenues per sh	*39.70*
1.65	1.54	1.60	1.44	1.84	1.95	1.90	2.12	2.24	2.44	2.51	3.51	3.20	3.48	3.72	*4.21*	*4.50*	*5.00*	"Cash Flow" per sh	*6.20*
.83	.85	.86	.64	1.01	1.08	1.15	1.22	1.37	1.58	1.71	2.46	2.09	2.27	2.38	2.70	*2.95*	*3.25*	Earnings per sh A	*4.10*
.72	.72	.72	.72	.72	.73	.74	.75	.78	.82	.86	.92	1.01	1.11	1.22	1.36	*1.48*	*1.60*	Div'ds Decl'd per sh B ■	*2.00*
2.08	2.01	2.30	3.06	2.19	2.21	2.82	3.47	2.36	2.67	3.21	2.51	1.88	2.08	3.67	5.59	*5.65*	*5.95*	Cap'l Spending per sh	*7.35*
7.34	8.03	6.43	6.23	6.74	7.25	7.81	9.67	11.26	12.41	13.50	15.11	16.25	17.33	18.24	19.08	*19.70*	*20.00*	Book Value per sh C	*23.55*
21.44	21.51	21.54	21.56	22.30	23.00	23.72	24.41	26.46	27.76	28.98	29.33	29.61	29.73	29.80	29.87	*31.00*	*32.00*	Common Shs Outst'g D	*34.00*
12.2	13.3	13.8	21.2	13.3	13.0	13.6	13.5	13.3	14.1	16.6	11.9	17.2	15.9	15.0	16.8	*Bold figures are Value Line estimates*		Avg Ann'l P/E Ratio	*14.0*
.82	.83	.80	1.10	.76	.85	.70	.74	.76	.74	.88	.64	.91	.96	1.00	1.06			Relative P/E Ratio	*.95*
7.2%	6.4%	6.1%	5.3%	5.4%	5.2%	4.7%	4.6%	4.3%	3.7%	3.0%	3.2%	2.8%	3.1%	3.4%	3.0%			Avg Ann'l Div'd Yield	*3.5%*
837.3	505.1	696.8	819.1	921.0	931.4	956.4	962.0	845.4	925.1	*980*	*1060*	Revenues ($mill)	*1350*
26.8	29.4	34.6	43.0	48.6	72.0	61.8	67.7	71.3	80.9	*90.0*	*105*	Net Profit ($mill)	*140*
42.2%	41.4%	40.6%	40.9%	41.5%	41.3%	41.9%	47.7%	23.0%	*30.0%*	*35.0%*	*35.0%*	Income Tax Rate	*35.0%*
3.2%	5.8%	5.0%	5.2%	5.3%	7.7%	6.5%	7.0%	8.4%	8.7%	*9.2%*	*9.9%*	Net Profit Margin	*10.4%*
57.0%	53.6%	50.8%	48.7%	44.9%	44.7%	42.7%	39.2%	36.5%	37.4%	*38.0%*	*38.5%*	Long-Term Debt Ratio	*40.5%*
35.9%	46.1%	49.0%	51.0%	55.1%	55.3%	57.3%	60.8%	63.5%	62.6%	*62.0%*	*61.5%*	Common Equity Ratio	*59.5%*
516.2	512.5	608.4	675.0	710.3	801.1	839.0	848.0	856.4	910.1	*985*	*1040*	Total Capital ($mill)	*1350*
607.0	666.6	748.3	799.9	877.3	920.0	948.9	982.6	1073.1	1193.3	*1250*	*1325*	Net Plant ($mill)	*1500*
6.9%	7.6%	7.3%	7.9%	8.3%	10.1%	8.6%	8.9%	9.0%	10.1%	*10.5%*	*11.5%*	Return on Total Cap'l	*12.0%*
12.1%	12.4%	11.5%	12.4%	12.4%	16.3%	12.8%	13.1%	13.1%	14.2%	*15.0%*	*16.5%*	Return on Shr. Equity	*17.5%*
12.8%	12.5%	11.6%	12.5%	12.4%	16.3%	12.8%	13.1%	13.1%	14.2%	*15.0%*	*16.5%*	Return on Com Equity	*17.5%*
3.5%	4.7%	5.0%	5.9%	6.2%	10.2%	6.7%	6.7%	6.4%	7.1%	*7.0%*	*8.5%*	Retained to Com Eq	*9.0%*
76%	62%	57%	52%	50%	37%	48%	49%	51%	50%	*51%*	*49%*	All Div'ds to Net Prof	*49%*

CAPITAL STRUCTURE as of 12/31/10
Total Debt $702.1 mill. **Due in 5 Yrs** $427.7 mill.
LT Debt $340.0 mill. **LT Interest** $22.0 mill.
(Total interest coverage: 3.1x)

Pension Assets-12/10 $120.6 mill.
Oblig. $167.5 mill.

Pfd Stock None

Common Stock 29,883,823 common shs.
as of 2/21/11

MARKET CAP: $1.6 billion (Mid Cap)

CURRENT POSITION ($MILL.)	2008	2009	12/31/10
Cash Assets	5.8	3.8	2.4
Other	429.3	364.6	421.4
Current Assets	435.1	368.4	423.8
Accts Payable	120.2	123.9	165.2
Debt Due	237.6	231.7	362.1
Other	142.1	123.2	113.2
Current Liab.	499.9	478.8	640.5
Fix. Chg. Cov.	598%	585%	532%

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '08-'10 to '14-'16
Revenues	5.5%	4.0%	*4.5%*
"Cash Flow"	8.0%	9.0%	*8.5%*
Earnings	10.5%	10.0%	*9.0%*
Dividends	4.5%	7.5%	*8.5%*
Book Value	10.5%	9.0%	*4.5%*

Calendar	QUARTERLY REVENUES ($ mill.) Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2008	348.1	135.8	210.4	267.7	962.0
2009	362.2	134.5	127.1	221.6	845.4
2010	329.3	151.6	160.7	283.5	925.1
2011	*370*	*160*	*165*	*285*	*980*
2012	*400*	*175*	*180*	*305*	*1060*

Calendar	EARNINGS PER SHARE A Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2008	1.32	.26	.04	.67	2.27
2009	1.46	.15	d.06	.83	2.38
2010	1.49	.24	.10	.87	2.70
2011	*1.55*	*.30*	*.15*	*.95*	*2.95*
2012	*1.65*	*.35*	*.20*	*1.05*	*3.25*

Calendar	QUARTERLY DIVIDENDS PAID B■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2007	--	.245	.245	.515	1.01
2008	--	.270	.270	.568	1.11
2009	--	.298	.298	.628	1.22
2010	--	.330	.330	.695	1.36
2011	--				

BUSINESS: South Jersey Industries, Inc. is a holding company. Its subsidiary, South Jersey Gas Co., distributes natural gas to 347,725 customers in New Jersey's southern counties, which covers about 2,500 square miles and includes Atlantic City. Gas revenue mix '10: residential, 44%; commercial, 21%; cogeneration and electric generation, 12%; industrial, 23%. Non-utility operations include: South Jersey Energy, South Jersey Resources Group, Marina Energy, and South Jersey Energy Service Plus. Has 650 employees. Off./dir. control 1.0% of common shares; Black Rock Inc., 8.2% (3/10 proxy). Chrmn. & CEO: Edward Graham. Incorp.: NJ. Address: 1 South Jersey Plaza, Folsom, NJ 08037. Telephone: 609-561-9000. Internet: www.sjindustries.com.

Shares of South Jersey Industries have advanced nicely over the past 12 months, as the company has reported favorable bottom-line comparisons in recent quarters. Solid growth from the utility business and the retail energy unit more than offset weakness in the wholesale energy segment. Looking forward,

Healthy results will probably continue at the utility operations. South Jersey Gas should continue to benefit from modest customer growth, despite softness in the housing construction market. Natural gas remains the fuel of choice within the utility's service territory. Moreover, SJG continues to benefit from customer interest in converting from other fuel sources to natural gas. In addition, rate relief should serve to offset growth in operating expenses. The utility recently filed a proposal with the New Jersey Board of Public Utilities for another capital investment recovery tracker. Discussions with the regulatory board on this matter are ongoing. If granted, this would allow South Jersey Gas to recover costs associated with capital improvements.

We remain optimistic about the company's retail energy operations, which should continue to benefit from demand for renewable projects. That said, the upstream wholesale energy business may continue to experience thin storage margins. Nevertheless, efforts by this unit to expand marketing activities in the Marcellus Shale should provide the company with competitively priced gas for its asset management business. Overall, we anticipate a nice advance in revenues and share earnings for South Jersey Industries for full-year 2011. Growth will probably continue in 2012.

These shares are ranked to track the broader market for the coming six to 12 months. Looking farther out, we anticipate steady growth in revenues and share earnings for the company over the pull to 2014-2016. The stock earns favorable marks for Price Stability and Earnings Predictability. However, this seems to be partly reflected in the current quotation, and total return potential for the coming years appears limited. Thus, investors can probably find more-attractive choices elsewhere.

Michael Napoli, CFA *March 11, 2011*

Company's Financial Strength	B++
Stock's Price Stability	100
Price Growth Persistence	90
Earnings Predictability	85

(A) Based on GAAP egs. through 2006, economic egs. thereafter. GAAP EPS: '07, $2.10; '08, $2.58; '09, $1.94; '10, $2.22. Excl. nonrecur. gain (loss): '01, $0.13; '08, $0.31; '09, ($0.44); '10, ($0.48). Excl gain (losses) from discont. ops.: '01, ($0.02); '02, ($0.04); '03, ($0.09); '05, ($0.02); '06, ($0.02); '07, $0.01. Egs. may not sum due to rounding. Next egs. report due in May. (B) Div'ds paid early April, July, Oct., and late Dec. ■ Div. reinvest. plan avail. (C) Incl. reg. assets. In 2010: $248.4 mill., $8.32 per shr. (D) In mill., adj. for split.

SOUTHWEST GAS NYSE-SWX

RECENT PRICE 38.71 | P/E RATIO 17.0 (Trailing: 17.1 Median: 18.0) | RELATIVE P/E RATIO 1.04 | DIV'D YLD 2.7% | VALUE LINE

TIMELINESS 3 Lowered 8/20/10
SAFETY 3 Lowered 1/4/91
TECHNICAL 4 Lowered 2/25/11
BETA .75 (1.00 = Market)

2014-16 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	50	(+30%)	9%
Low	35	(-10%)	1%

Insider Decisions

	A	M	J	J	A	S	O	N	D
to Buy	0	0	0	0	0	2	0	0	1
Options	1	1	1	0	0	4	0	2	3
to Sell	1	1	2	0	0	4	0	3	3

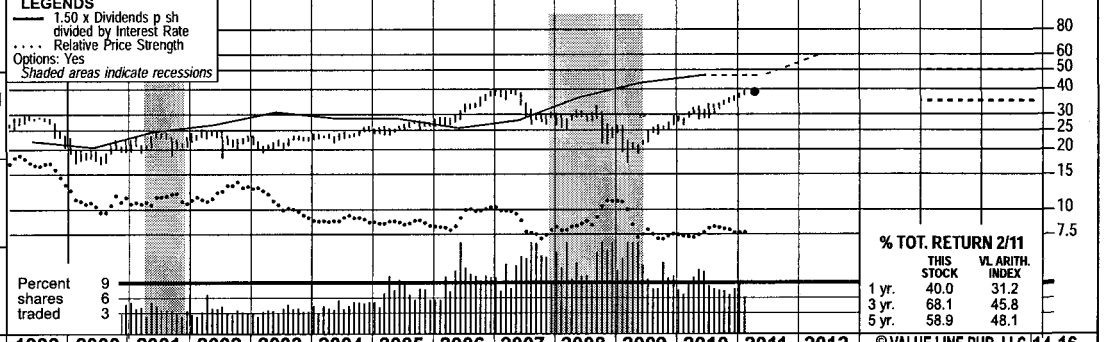
Institutional Decisions

	1Q2010	2Q2010	3Q2010
to Buy	65	61	57
to Sell	72	80	76
Hld's(000)	33164	32977	32794

	2009	2010	2011	2012	2013	2014	2015	2016
High:	23.0	24.7	25.3	23.6	26.2	28.1	39.4	39.9	33.3	29.5	37.3	39.5
Low:	16.9	18.6	18.1	19.3	21.5	23.5	26.0	26.5	21.1	17.1	26.3	36.1

Target Price Range 2014 | 2015 | 2016

LEGENDS
1.50 x Dividends p sh divided by Interest Rate
Relative Price Strength
Options: Yes
Shaded areas indicate recessions



% TOT. RETURN 2/11

	THIS STOCK	VL ARITH. INDEX
1 yr.	40.0	31.2
3 yr.	68.1	45.8
5 yr.	58.9	48.1

1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	© VALUE LINE PUB. LLC	14-16
23.03	24.09	26.73	30.17	30.24	32.61	42.98	39.68	35.96	40.14	43.59	48.47	50.28	48.53	42.00	40.14	*40.30*	*40.65*	Revenues per sh	*54.00*
2.65	3.00	3.85	4.48	4.45	4.57	4.79	5.07	5.11	5.57	5.20	5.97	6.21	5.76	6.16	6.45	*6.75*	*6.95*	"Cash Flow" per sh	*7.90*
.10	.25	.77	1.65	1.27	1.21	1.15	1.16	1.13	1.66	1.25	1.98	1.95	1.39	1.94	2.27	*2.30*	*2.45*	Earnings per sh A	*2.90*
.82	.82	.82	.82	.82	.82	.82	.82	.82	.82	.82	.82	.86	.90	.95	1.00	*1.05*	*1.10*	Div'ds Decl'd per sh B■†	*1.25*
6.79	8.19	6.19	6.40	7.41	7.04	8.17	8.50	7.03	8.23	7.49	8.27	7.96	6.79	4.81	4.72	*4.85*	*5.00*	Cap'l Spending per sh	*6.00*
14.55	14.20	14.09	15.67	16.31	16.82	17.27	17.91	18.42	19.18	19.10	21.58	22.98	23.49	24.44	25.59	*25.80*	*27.10*	Book Value per sh	*32.00*
24.47	26.73	27.39	30.41	30.99	31.71	32.49	33.29	34.23	36.79	39.33	41.77	42.81	44.19	45.09	45.60	*46.50*	*48.00*	Common Shs Outst'g C	*50.00*
NMF	69.3	24.1	13.2	21.1	16.0	19.0	19.9	19.2	14.3	20.6	15.9	17.3	20.3	12.2	14.0	*Bold figures are Value Line estimates*		Avg Ann'l P/E Ratio	*15.0*
NMF	4.34	1.39	.69	1.20	1.04	.97	1.09	1.09	.76	1.10	.86	.92	1.22	.81	.89			Relative P/E Ratio	*1.00*
5.4%	4.7%	4.4%	3.8%	3.1%	4.2%	3.8%	3.6%	3.8%	3.5%	3.2%	2.6%	2.6%	3.2%	4.0%	3.2%			Avg Ann'l Div'd Yield	*2.9%*
1396.7	1320.9	1231.0	1477.1	1714.3	2024.7	2152.1	2144.7	1893.8	1830.4	*1875*	*1950*	Revenues ($mill)	*2700*
37.2	38.6	38.5	58.9	48.1	80.5	83.2	61.0	87.5	104.0	*110*	*120*	Net Profit ($mill)	*145*
34.5%	32.8%	30.5%	34.8%	29.7%	37.3%	36.5%	40.1%	34.0%	34.7%	*35.0%*	*35.0%*	Income Tax Rate	*35.0%*
2.7%	2.9%	3.1%	4.0%	2.8%	4.0%	3.9%	2.8%	4.6%	5.7%	*5.8%*	*6.0%*	Net Profit Margin	*5.4%*
56.2%	62.5%	66.0%	64.2%	63.8%	60.6%	58.1%	55.3%	53.5%	49.1%	*49.0%*	*48.0%*	Long-Term Debt Ratio	*46.5%*
39.6%	34.1%	34.0%	35.8%	36.2%	39.4%	41.9%	44.7%	46.5%	50.9%	*51.0%*	*52.0%*	Common Equity Ratio	*53.5%*
1417.6	1748.3	1851.6	1968.6	2076.0	2287.8	2349.7	2323.3	2371.4	2292.0	*2350*	*2500*	Total Capital ($mill)	*3000*
1825.6	1979.5	2175.7	2336.0	2489.1	2668.1	2845.3	2983.3	3034.5	3072.4	*3150*	*3250*	Net Plant ($mill)	*3600*
5.1%	4.3%	4.2%	5.0%	4.3%	5.5%	5.5%	4.5%	5.4%	6.2%	*6.5%*	*6.5%*	Return on Total Cap'l	*6.5%*
6.0%	5.9%	6.1%	8.3%	6.4%	8.9%	8.5%	5.9%	7.9%	8.9%	*9.0%*	*9.0%*	Return on Shr. Equity	*9.0%*
6.6%	6.5%	6.1%	8.3%	6.4%	8.9%	8.5%	5.9%	7.9%	8.9%	*9.0%*	*9.0%*	Return on Com Equity	*9.0%*
1.9%	1.9%	1.7%	4.3%	2.2%	5.2%	4.8%	2.1%	4.1%	5.0%	*5.0%*	*5.0%*	Retained to Com Eq	*5.5%*
71%	70%	72%	49%	65%	42%	44%	63%	48%	44%	*45%*	*45%*	All Div'ds to Net Prof	*43%*

CAPITAL STRUCTURE as of 12/31/10
Total Debt $1199.8 mill. **Due in 5 Yrs** $275.0 mill.
LT Debt $1124.7 mill. **LT Interest** $80.0 mill.
(Total interest coverage: 3.0x)
Leases, Uncapitalized Annual rentals $5.0 mill.
Pension Assets-12/10 $505.6 mill.
Oblig. $708.9 mill.

Pfd Stock None

Common Stock 45,784,435 shs.
as of 2/15/11

MARKET CAP: $1.8 billion (Mid Cap)

CURRENT POSITION ($MILL.)	2008	2009	12/31/10
Cash Assets	26.4	65.3	116.1
Other	411.7	352.3	329.8
Current Assets	438.1	417.6	445.9
Accts Payable	191.4	158.9	165.5
Debt Due	62.8	1.3	75.1
Other	255.7	314.0	356.4
Current Liab.	509.9	474.2	597.0
Fix. Chg. Cov.	224%	251%	299%

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '08-'10 to '14-'16
Revenues	5.0%	4.0%	*3.5%*
"Cash Flow"	3.5%	3.0%	*4.5%*
Earnings	3.5%	6.0%	*7.5%*
Dividends	1.0%	2.0%	*4.5%*
Book Value	4.5%	5.0%	*4.5%*

Calendar	QUARTERLY REVENUES ($ mill.) Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2008	813.6	447.3	374.4	509.4	2144.7
2009	689.9	387.6	317.5	498.8	1893.8
2010	668.8	385.8	307.7	468.1	1830.4
2011	*680*	*395*	*315*	*485*	*1875*
2012	*700*	*410*	*325*	*515*	*1950*

Calendar	EARNINGS PER SHARE A Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2008	1.14	d.06	d.38	.71	1.39
2009	1.12	d.01	d.18	1.01	1.94
2010	1.42	d.02	d.11	.98	2.27
2011	*1.40*	*Nil*	*d.10*	*1.00*	*2.30*
2012	*1.45*	*Nil*	*d.10*	*1.10*	*2.45*

Calendar	QUARTERLY DIVIDENDS PAID B■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2007	.205	.215	.215	.215	.85
2008	.215	.225	.225	.225	.89
2009	.225	.238	.238	.238	.94
2010	.238	.250	.250	.250	.99
2011	.250	.265			

BUSINESS: Southwest Gas Corporation is a regulated gas distributor serving approximately 1.8 million customers in sections of Arizona, Nevada, and California. Comprised of two business segments: natural gas operations and construction services. 2010 margin mix: residential and small commercial, 86%; large commercial and industrial, 4%; transportation, 10%. Total throughput: 2.2 billion therms. Sold PriMerit Bank, 7/96. Has 4,802 employees. Off. & Dir. own 2.0% of common stock; BlackRock Inc., 9.1%; GAMCO Investors, Inc, 6.8%; T. Rowe Price Associates, Inc., 6.0% (3/10 Proxy). Chairman: James J. Kropid. CEO: Jeffrey W. Shaw. Inc.: CA. Address: 5241 Spring Mountain Road, Las Vegas, Nevada 89193. Telephone: 702-876-7237. Internet: www.swgas.com.

Shares of Southwest Gas have advanced nicely over the past 12 months, as the company reported a strong bottom-line improvement for 2010. Healthy performance will likely continue, though comparisons should prove somewhat less impressive, given the strong results earned in the first and fourth quarters of 2010. The utility segment should further benefit from higher rates, though temperature fluctuations will also affect performance, one way or another. Further success at procuring infrastructure maintenance and replacement work may boost results at the company's construction services subsidiary. Moreover, efforts to improve efficiency ought to keep operating costs in check. Overall, we anticipate a modest advance in revenues and share earnings for Southwest in full-year 2011. Decent customer growth and a more favorable operating climate may well drive earnings higher in 2012.

Rate relief should continue to help margins. The company has filed a general rate case in Arizona, requesting an increase in revenues of $73 million. Southwest is also seeking a decoupled rate structure and several programs promoting energy efficiency. The focus on higher rates and improved rate design in its service territories is important, as the company depends upon such approved revenue increases to help it cope with higher costs.

Southwest has increased the dividend by 6%. Starting with the May payout, the quarterly dividend is now $0.265 per share. The company cited improved performance and a stronger capital structure as reasons for the hike. Moderate dividend growth should continue going forward.

The stock is not without risk. The company should incur greater operating expenses as it continues to expand in the coming years. Utility performance could be hurt by unfavorable temperature variations or insufficient rate relief.

We anticipate higher revenues and share earnings for the company in the coming years. But total return potential is unimpressive from the present quotation. Moreover, Southwest's dividend yield is below average for its industry group. Thus, investors can probably find more-attractive opportunities elsewhere.

Michael Napoli, CFA *March 11, 2011*

(A) Based on avg. shares outstand. thru. '96, then diluted. Excl. nonrec. gains (losses): '97, 16¢; '02, (10¢); '05, (11¢); '06, 7¢. Excl. loss from disc. ops.: '95, 75¢. Totals may not sum due to rounding. Next egs. report due late April/early May. (B) Dividends historically paid early March, June, September, December. ■† Div'd reinvestment and stock purchase plan avail. (C) In millions.

Company's Financial Strength	B
Stock's Price Stability	100
Price Growth Persistence	65
Earnings Predictability	70

WGL HOLDINGS NYSE-WGL

RECENT PRICE 37.49 | P/E RATIO 17.9 (Trailing: 16.3 Median: 15.0) | RELATIVE P/E RATIO 1.10 | DIV'D YLD 4.0% | VALUE LINE

TIMELINESS 3 Raised 12/10/10
SAFETY 1 Raised 4/2/93
TECHNICAL 4 Lowered 3/4/11
BETA .65 (1.00 = Market)

2014-16 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	45	(+20%)	9%
Low	35	(-5%)	3%

Insider Decisions

	A	M	J	J	A	S	O	N	D
to Buy	0	0	0	0	0	0	0	1	1
Options	2	3	0	3	2	1	1	1	0
to Sell	2	6	0	4	4	1	1	2	0

Institutional Decisions

	1Q2010	2Q2010	3Q2010
to Buy	76	70	76
to Sell	83	83	76
Hld's(000)	27544	31974	32221

High:	31.5	30.5	29.5	28.8	31.4	34.8	33.6	35.9	37.1	35.5	40.0	38.5							
Low:	21.8	25.3	19.3	23.2	26.7	28.8	27.0	29.8	22.4	28.6	31.0	35.6							

LEGENDS
1.30 x Dividends p sh divided by Interest Rate
.... Relative Price Strength
Options: Yes
Shaded areas indicate recessions

Target Price Range 2014 | 2015 | 2016

% TOT. RETURN 2/11

	THIS STOCK	VL ARITH. INDEX
1 yr.	20.6	31.2
3 yr.	39.1	45.8
5 yr.	53.5	48.1

1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	© VALUE LINE PUB. LLC	14-16
19.30	22.19	24.16	23.74	20.92	22.19	29.80	32.63	42.45	42.93	44.94	53.96	53.51	52.65	53.98	53.60	*55.90*	*57.35*	Revenues per sh [A]	*59.70*
2.51	2.93	3.02	2.79	2.74	3.20	3.24	2.63	4.00	3.87	3.97	3.84	3.89	4.34	4.44	4.11	*3.95*	*4.30*	"Cash Flow" per sh	*4.60*
1.45	1.85	1.85	1.54	1.47	1.79	1.88	1.14	2.30	1.98	2.13	1.94	2.09	2.44	2.53	2.27	*2.10*	*2.35*	Earnings per sh [B]	*2.70*
1.12	1.14	1.17	1.20	1.22	1.24	1.26	1.27	1.28	1.30	1.32	1.35	1.37	1.41	1.47	1.50	*1.53*	*1.57*	Div'ds Decl'd per sh [C] ■	*1.68*
2.63	2.85	3.20	3.62	3.42	2.67	2.68	3.34	2.65	2.33	2.32	3.27	3.33	2.70	2.77	2.57	*2.45*	*2.45*	Cap'l Spending per sh	*2.40*
11.95	12.79	13.48	13.86	14.72	15.31	16.24	15.78	16.25	16.95	17.80	18.86	19.83	20.99	21.89	22.82	*23.55*	*24.20*	Book Value per sh [D]	*27.30*
42.93	43.70	43.70	43.84	46.47	46.47	48.54	48.56	48.63	48.67	48.65	48.89	49.45	49.92	50.14	50.54	*51.00*	*51.00*	Common Shs Outst'g [E]	*52.00*
12.7	11.5	12.7	17.2	17.3	14.6	14.7	23.1	11.1	14.2	14.7	15.5	15.6	13.7	12.6	15.1	*Bold figures are Value Line estimates*		Avg Ann'l P/E Ratio	*15.0*
.85	.72	.73	.89	.99	.95	.75	1.26	.63	.75	.78	.84	.83	.82	.84	.95			Relative P/E Ratio	*1.00*
6.1%	5.4%	5.0%	4.5%	4.8%	4.8%	4.6%	4.8%	5.0%	4.6%	4.2%	4.5%	4.2%	4.2%	4.6%	4.4%			Avg Ann'l Div'd Yield	*4.2%*
1446.5	1584.8	2064.2	2089.6	2186.3	2637.9	2646.0	2628.2	2706.9	2708.9	*2850*	*2925*	Revenues ($mill) [A]	*3105*
89.9	55.7	112.3	98.0	104.8	96.0	102.9	122.9	128.7	115.0	*110*	*120*	Net Profit ($mill)	*140*
39.6%	34.0%	38.0%	38.2%	37.4%	39.0%	39.1%	37.1%	39.1%	38.7%	*39.0%*	*39.0%*	Income Tax Rate	*39.0%*
6.2%	3.5%	5.4%	4.7%	4.8%	3.6%	3.9%	4.7%	4.8%	4.2%	*4.3%*	*4.3%*	Net Profit Margin	*4.5%*
41.7%	45.7%	43.8%	40.9%	39.5%	37.8%	37.9%	35.9%	33.3%	33.4%	*34.5%*	*34.0%*	Long-Term Debt Ratio	*32.5%*
56.3%	52.4%	54.3%	57.2%	58.6%	60.4%	60.3%	62.4%	65.0%	65.0%	*64.0%*	*64.5%*	Common Equity Ratio	*66.0%*
1400.8	1462.5	1454.9	1443.6	1478.1	1526.1	1625.4	1679.5	1687.7	1774.4	*1875*	*1915*	Total Capital ($mill)	*2150*
1519.7	1606.8	1874.9	1915.6	1969.7	2067.9	2150.4	2208.3	2269.1	2346.2	*2425*	*2510*	Net Plant ($mill)	*2775*
7.9%	5.3%	9.1%	8.2%	8.5%	7.6%	7.6%	8.5%	8.8%	7.6%	*7.0%*	*7.5%*	Return on Total Cap'l	*7.5%*
11.0%	7.0%	13.7%	11.5%	11.7%	10.1%	10.2%	11.4%	11.4%	9.7%	*9.0%*	*9.5%*	Return on Shr. Equity	*10.0%*
11.2%	7.2%	14.0%	11.7%	12.0%	10.3%	10.4%	11.6%	11.6%	9.9%	*9.0%*	*9.5%*	Return on Com Equity	*10.0%*
3.8%	NMF	6.2%	4.1%	4.6%	3.2%	3.5%	5.0%	5.0%	3.3%	*2.5%*	*3.0%*	Retained to Com Eq	*3.5%*
67%	112%	56%	65%	62%	69%	66%	57%	57%	67%	*73%*	*67%*	All Div'ds to Net Prof	*63%*

CAPITAL STRUCTURE as of 12/31/10
Total Debt $788.2 mill. **Due in 5 Yrs** $194.2 mill.
LT Debt $637.9 mill. **LT Interest** $39.4 mill.
(LT interest earned: 6.2x; total interest coverage: 5.7x)
Pension Assets-9/10 $1,215.8 mill.
Oblig. $678.1 mill.
Preferred Stock $28.2 mill. **Pfd. Div'd** $1.3 mill.

Common Stock 51,127,081 shs.
as of 1/31/11

MARKET CAP: $1.9 billion (Mid Cap)

CURRENT POSITION ($MILL.)	2009	2010	12/31/10
Cash Assets	7.9	8.9	16.6
Other	675.6	708.4	1008.4
Current Assets	683.5	717.3	1025.0
Accts Payable	213.5	225.4	356.0
Debt Due	266.5	130.5	150.3
Other	154.6	188.2	281.0
Current Liab.	634.6	544.1	787.3
Fix. Chg. Cov.	533%	535%	535%

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '08-'10 to '14-'16
Revenues	9.0%	4.0%	*2.0%*
"Cash Flow"	4.0%	1.5%	*1.0%*
Earnings	4.0%	2.5%	*1.5%*
Dividends	2.0%	2.5%	*2.5%*
Book Value	4.0%	5.0%	*4.0%*

Fiscal Year Ends	QUARTERLY REVENUES ($ mill.) [A] Dec.31	Mar.31	Jun.30	Sep.30	Full Fiscal Year
2008	751.6	1020.0	464.7	391.9	2628.2
2009	826.2	1040.9	427.0	412.8	2706.9
2010	727.4	1056.6	459.7	465.2	2708.9
2011	795.9	*1079.1*	*485*	*490*	*2850*
2012	*815*	*1100*	*500*	*510*	*2925*

Fiscal Year Ends	EARNINGS PER SHARE [A B] Dec.31	Mar.31	Jun.30	Sep.30	Full Fiscal Year
2008	.96	1.66	.06	d.24	2.44
2009	1.03	1.65	.11	d.25	2.53
2010	1.01	1.64	d.07	d.29	2.27
2011	1.02	*1.55*	*d.10*	*d.37*	*2.10*
2012	*1.08*	*1.61*	*d.04*	*d.30*	*2.35*

Calendar	QUARTERLY DIVIDENDS PAID [C] ■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2007	.34	.34	.34	.34	1.36
2008	.34	.36	.36	.36	1.42
2009	.36	.37	.37	.37	1.47
2010	.37	.378	.378	.378	1.50
2011	.378				

BUSINESS: WGL Holdings, Inc. is the parent of Washington Gas Light, a natural gas distributor in Washington, D.C. and adjacent areas of VA and MD to resident'l and comm'l users (1,073,722 meters). Hampshire Gas, a federally regulated sub., operates an underground gas-storage facility in WV. Non-regulated subs.: Wash. Gas Energy Svcs. sells and delivers natural gas and provides energy related products in the D.C. metro area; Wash. Gas Energy Sys. designs/installs comm'l heating, ventilating, and air cond. systems. Black Rock Inc. owns 9.2% of common stock; Off./dir. less than 1% (1/11 proxy). Chmn. & CEO: Terry D. McCallister. Inc.: D.C. and VA. Addr.: 101 Const. Ave., N.W., Washington, D.C. 20080. Tel.: 202-624-6410. Internet: www.wglholdings.com.

WGL Holdings is off to a decent start this year. Its top line benefited from higher volumes at the Utility and Non-Utility operating segments, reflecting growth in active customer accounts. Indeed, revenues advanced about 9.5% over this time frame. Meanwhile, after excluding mark-to-market gains on energy-related derivatives, it is apparent that margins were squeezed a bit during the December interim. This margin compression offset top-line gains and equated to only a 1% hike in the bottom line, to $1.02 a share.

We look for a 7.5% earnings decline this year. The downturn will likely stem from lower realized margins on gas sales. Meanwhile, costs have been creeping higher and impacting profits in Virginia. The company does have a proposed rate case in the works for that region. But even if this goes through as planned, the higher rates will not kick in until October of this year. The benefits of this rate case will no doubt be a nice contributor to next year's bottom line. And when this is combined with prospective gains in natural gas demand, and an overall firming up in the economy, we have introduced our 2012 earnings estimate at $2.35 a share.

Some alternative energy investments should contribute nicely down the road. WGL has two solar projects planned for this year. The first is located at the University of Maryland and will produce 792 megawatt hours of electricity annually. It should be operational during the March period. The second and larger site will be located at two Perdue facilities, generating about 3,700 megawatt hours of electricity each year. This project is slated for completion in September. These ventures will be owned and operated by Washington Gas Energy Services, and the energy produced will be sold to the on-site customers under long-term contracts.

These neutrally ranked shares have appeal as an income vehicle. And, with the recent market appearing to be a bit overbought, these high-quality shares provide a safe haven in the event of a correction. This is evident in the stock's high Safety rank (1), top mark for Price Stability (100), and conservative Beta (.65). However, capital appreciation potential for the pull to 2014-2016 is subpar.

Bryan J. Fong *March 11, 2011*

Company's Financial Strength	A
Stock's Price Stability	100
Price Growth Persistence	45
Earnings Predictability	95

(A) Fiscal years end Sept. 30th. (B) Based on diluted shares. Excludes nonrecurring losses: '01, (13¢); '02, (34¢); '07, (4¢); '08, (14¢) discontinued operations: '06, (15¢). Qtly egs. may not sum to total, due to change in shares outstanding. Next earnings report due late April. (C) Dividends historically paid early February, May, August, and November. ■ Dividend reinvestment plan available. (D) Includes deferred charges and intangibles. '10: $580.4 million, $11.48/sh. (E) In millions, adjusted for stock split.

ATTACHMENT C

ZACKS INVESTMENT RESEARCH
Proven Ratings, Research & Recommendations
Zacks.com Quotes and Research

AMERICAN STS WTR CO (NYSE)

Scottrade

AWR	33.90	▲ 0.97	(2.95%)	Vol. 85,409	11:30 ET

American States is a public utility company engaged principally in thepurchase, production, distribution and sale of water. The company alsodistributes electricity in some communities. In the customer service areas for both water and electric, rates and operations are subject to the jurisdiction of the California Public Utilities Commission.

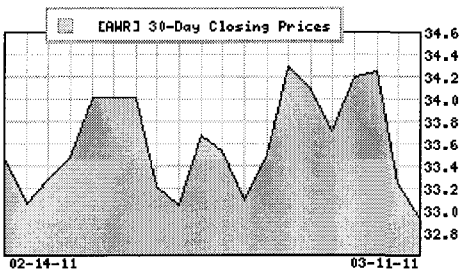
General Information

AMER STATES WTR
630 East Foothill Boulevard
San Dimas, CA 91773-1212
Phone: 909 394-3600
Fax: 909 394-0711
Web: www.gswater.com
Email: investorinfo@aswater.com

Industry	UTIL-WATER SPLY
Sector:	Utilities
Fiscal Year End	December
Last Reported Quarter	12/31/10
Next EPS Date	05/05/2011

Price and Volume Information

Zacks Rank	
Yesterday's Close	32.93
52 Week High	39.61
52 Week Low	31.24
Beta	0.39
20 Day Moving Average	82,652.45
Target Price Consensus	43.67



% Price Change		% Price Change Relative to S&P 500	
4 Week	-0.87	4 Week	1.02
12 Week	-6.77	12 Week	-11.08
YTD	-4.47	YTD	-7.88

Share Information		Dividend Information	
Shares Outstanding (millions)	18.62	Dividend Yield	3.16%
		Annual Dividend	$1.04
Market Capitalization (millions)	613.16	Payout Ratio	0.54
Short Ratio	5.33	Change in Payout Ratio	-0.08
Last Split Date	06/10/2002	Last Dividend Payout / Amount	02/10/2011 / $0.26

EPS Information		Consensus Recommendations	
Current Quarter EPS Consensus Estimate	0.47	Current (1=Strong Buy, 5=Strong Sell)	2.71
Current Year EPS Consensus Estimate	2.14	30 Days Ago	2.71
Estimated Long-Term EPS Growth Rate	7.50	60 Days Ago	2.71
Next EPS Report Date	05/05/2011	90 Days Ago	2.43

Fundamental Ratios

P/E		EPS Growth		Sales Growth	
Current FY Estimate:	15.41	vs. Previous Year	105.56%	vs. Previous Year	20.15%
Trailing 12 Months:	17.15	vs. Previous Quarter	-40.32%	vs. Previous Quarter:	-6.83%
PEG Ratio	2.05				

Price Ratios		ROE		ROA	
Price/Book	1.65	12/31/10	9.80	12/31/10	3.11

Price/Cash Flow	9.61	09/30/10	8.89	09/30/10	2.83
Price / Sales	1.53	06/30/10	8.54	06/30/10	2.74
Current Ratio		**Quick Ratio**		**Operating Margin**	
12/31/10	-	12/31/10	-	12/31/10	9.01
09/30/10	1.04	09/30/10	1.03	09/30/10	8.49
06/30/10	1.11	06/30/10	1.10	06/30/10	8.30
Net Margin		**Pre-Tax Margin**		**Book Value**	
12/31/10	-	12/31/10	-	12/31/10	-
09/30/10	12.34	09/30/10	12.34	09/30/10	20.01
06/30/10	14.16	06/30/10	14.16	06/30/10	19.90
Inventory Turnover		**Debt-to-Equity**		**Debt to Capital**	
12/31/10	-	12/31/10	-	12/31/10	-
09/30/10	49.56	09/30/10	0.81	09/30/10	44.63
06/30/10	49.32	06/30/10	0.81	06/30/10	44.80

ZACKS INVESTMENT RESEARCH
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Zacks.com Quotes and Research

CALIFORNIA WTR SVC GROUP (NYSE)

CWT	35.29	▲0.16	(0.46%)	Vol. 88,151	14:16 ET

California Water Service Company's business, which is carried on through its operating subsidiaries, consists of the production, purchase, storage, purification, distribution and sale of water for domestic, industrial, public and irrigation uses, and for fire protection. It also provides water related services under agreements with municipalities and other private companies. The nonregulated services include full water system operation, and billing and meter reading services.

General Information

CALIF WATER SVC
1720 North First Street
San Jose, CA 95112
Phone: 408 367-8200
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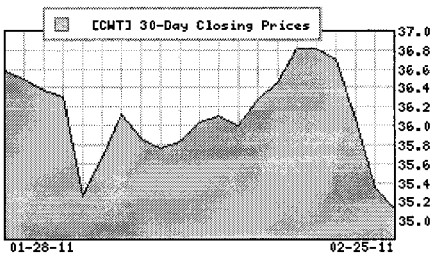
Web: www.calwatergroup.com
Email: klichtenberg@calwater.com

Industry	UTIL-WATER SPLY
Sector:	Utilities
Fiscal Year End	December
Last Reported Quarter	12/31/10
Next EPS Date	04/27/2011

Price and Volume Information

Zacks Rank	
Yesterday's Close	35.13
52 Week High	39.70
52 Week Low	33.81
Beta	0.31
20 Day Moving Average	116,998.35
Target Price Consensus	40



% Price Change		% Price Change Relative to S&P 500	
4 Week	-3.96	4 Week	-7.13
12 Week	-6.04	12 Week	-12.82
YTD	-5.74	YTD	-10.19

Share Information		Dividend Information	
Shares Outstanding (millions)	20.83	Dividend Yield	3.50%
		Annual Dividend	$1.23
Market Capitalization (millions)	731.76	Payout Ratio	0.66
Short Ratio	5.93	Change in Payout Ratio	-0.06
Last Split Date	01/26/1998	Last Dividend Payout / Amount	02/03/2011 / $0.31

EPS Information		Consensus Recommendations	
Current Quarter EPS Consensus Estimate	0.09	Current (1=Strong Buy, 5=Strong Sell)	2.25
Current Year EPS Consensus Estimate	2.17	30 Days Ago	2.25
Estimated Long-Term EPS Growth Rate	4.00	60 Days Ago	2.25
Next EPS Report Date	04/27/2011	90 Days Ago	2.00

Fundamental Ratios

P/E		EPS Growth		Sales Growth	
Current FY Estimate:	16.18	vs. Previous Year	-25.81%	vs. Previous Year	-1.37%
Trailing 12 Months:	19.41	vs. Previous Quarter	-76.53%	vs. Previous Quarter:	-27.94%
PEG Ratio	4.04				

Price Ratios		ROE		ROA	
Price/Book	1.68	12/31/10	8.81	12/31/10	2.32
Price/Cash Flow	9.09	09/30/10	9.26	09/30/10	2.48
Price / Sales	1.59	06/30/10	9.16	06/30/10	2.47
Current Ratio		**Quick Ratio**		**Operating Margin**	
12/31/10	1.18	12/31/10	1.12	12/31/10	8.18
09/30/10	0.59	09/30/10	0.55	09/30/10	8.50
06/30/10	0.63	06/30/10	0.59	06/30/10	8.45
Net Margin		**Pre-Tax Margin**		**Book Value**	
12/31/10	13.51	12/31/10	13.51	12/31/10	20.91
09/30/10	12.81	09/30/10	12.81	09/30/10	20.98
06/30/10	12.97	06/30/10	12.97	06/30/10	20.25
Inventory Turnover		**Debt-to-Equity**		**Debt to Capital**	
12/31/10	31.32	12/31/10	1.10	12/31/10	52.39
09/30/10	32.92	09/30/10	0.87	09/30/10	46.56
06/30/10	32.46	06/30/10	0.90	06/30/10	47.43

ZACKS INVESTMENT RESEARCH
Proven Ratings, Research & Recommendations
Zacks.com Quotes and Research

AQUA AMERICA INC (NYSE)

Scottrade

WTR	22.69	▲0.37	(1.66%)	Vol. 381,658	14:20 ET

Aqua America is the largest publicly-traded U.S.-based water utility serving residents in Pennsylvania, Ohio, Illinois, Texas, New Jersey, Indiana, Virginia, Florida, North Carolina, Maine, Missouri, New York, South Carolina and Kentucky. The company has been committed to the preservation and improvement of the environment throughout its history, which spans more than 100 years.

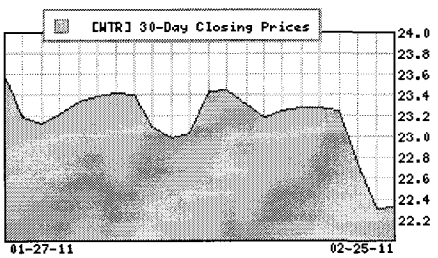
General Information

AQUA AMER INC
762 W Lancaster Avenue
Bryn Mawr, PA 19010-3489
Phone: 610 527-8000
Fax: 610-645-1061
Web: www.suburbanwater.com
Email: ir.aquaamerica.com

Industry	UTIL-WATER SPLY
Sector:	Utilities
Fiscal Year End	*December*
Last Reported Quarter	12/31/10
Next EPS Date	05/05/2011

Price and Volume Information

Zacks Rank	2
Yesterday's Close	22.32
52 Week High	23.79
52 Week Low	16.52
Beta	0.22
20 Day Moving Average	690,462.94
Target Price Consensus	23.4



% Price Change		% Price Change Relative to S&P 500	
4 Week	-3.71	4 Week	-6.89
12 Week	3.43	12 Week	-4.03
YTD	-0.71	YTD	-5.39

Share Information		Dividend Information	
Shares Outstanding (millions)	137.54	Dividend Yield	2.78%
		Annual Dividend	$0.62
Market Capitalization (millions)	3,069.89	Payout Ratio	0.68
Short Ratio	16.11	Change in Payout Ratio	-0.01
Last Split Date	12/02/2005	Last Dividend Payout / Amount	02/15/2011 / $0.16

EPS Information		Consensus Recommendations	
Current Quarter EPS Consensus Estimate	0.18	Current (1=Strong Buy, 5=Strong Sell)	2.27
Current Year EPS Consensus Estimate	0.97	30 Days Ago	2.27
Estimated Long-Term EPS Growth Rate	6.50	60 Days Ago	2.09
Next EPS Report Date	05/05/2011	90 Days Ago	2.09

Fundamental Ratios

P/E		EPS Growth		Sales Growth	
Current FY Estimate:	22.97	vs. Previous Year	5.00%	vs. Previous Year	6.80%
Trailing 12 Months:	24.53	vs. Previous Quarter	-34.38%	vs. Previous Quarter:	-13.71%
PEG Ratio	3.53				

Price Ratios	ROE	ROA

Price/Book	2.61	12/31/10	10.88	12/31/10	3.17
Price/Cash Flow	12.53	09/30/10	10.84	09/30/10	3.18
Price / Sales	4.23	06/30/10	10.06	06/30/10	2.97
Current Ratio		**Quick Ratio**		**Operating Margin**	
12/31/10	-	12/31/10	-	12/31/10	17.08
09/30/10	0.72	09/30/10	0.67	09/30/10	17.04
06/30/10	0.60	06/30/10	0.55	06/30/10	16.21
Net Margin		**Pre-Tax Margin**		**Book Value**	
12/31/10	28.10	12/31/10	28.10	12/31/10	8.54
09/30/10	28.01	09/30/10	28.01	09/30/10	8.30
06/30/10	26.68	06/30/10	26.68	06/30/10	8.25
Inventory Turnover		**Debt-to-Equity**		**Debt to Capital**	
12/31/10	-	12/31/10	1.30	12/31/10	56.60
09/30/10	28.01	09/30/10	1.27	09/30/10	56.00
06/30/10	27.37	06/30/10	1.29	06/30/10	56.40

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AGL RESOURCES INC (NYSE)

Scottrade

AGL	38.48	+0.19	(0.50%)	Vol. 196,580	14:20 ET

AGL Resources principal business is the distribution of natural gas to customers in central, northwest, northeast and southeast Georgia and the Chattanooga, Tennessee area through its natural gas distribution subsidiary. AGL's major service area is the ten county metropolitan Atlanta area.

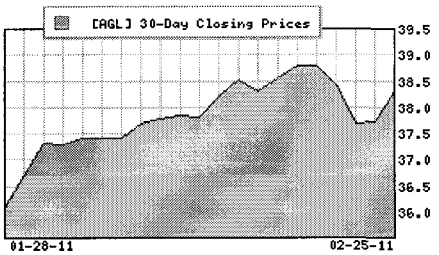
General Information

AGL RESOURCES
Ten Peachtree Place NE
Atlanta, GA 30309
Phone: 404 584-4000
Fax: 404 584-3945
Web: www.aglresources.com
Email: scave@aglresources.com

Industry	UTIL-GAS DISTR
Sector:	Utilities
Fiscal Year End	December
Last Reported Quarter	12/31/10
Next EPS Date	04/26/2011

Price and Volume Information

Zacks Rank	2
Yesterday's Close	38.29
52 Week High	40.08
52 Week Low	34.21
Beta	0.44
20 Day Moving Average	522,695.75
Target Price Consensus	42.2



% Price Change		% Price Change Relative to S&P 500	
4 Week	6.10	4 Week	2.60
12 Week	2.24	12 Week	-5.13
YTD	6.81	YTD	1.77

Share Information		Dividend Information	
Shares Outstanding (millions)	78.06	Dividend Yield	4.70%
		Annual Dividend	$1.80
Market Capitalization (millions)	2,988.88	Payout Ratio	0.58
Short Ratio	8.77	Change in Payout Ratio	-0.01
Last Split Date	12/04/1995	Last Dividend Payout / Amount	02/16/2011 / $0.45

EPS Information		Consensus Recommendations	
Current Quarter EPS Consensus Estimate	1.61	Current (1=Strong Buy, 5=Strong Sell)	2.13
Current Year EPS Consensus Estimate	3.15	30 Days Ago	2.25
Estimated Long-Term EPS Growth Rate	4.00	60 Days Ago	2.25
Next EPS Report Date	04/26/2011	90 Days Ago	2.33

Fundamental Ratios

P/E		EPS Growth		Sales Growth	
Current FY Estimate:	12.16	vs. Previous Year	-6.52%	vs. Previous Year	4.23%
Trailing 12 Months:	12.55	vs. Previous Quarter	196.55%	vs. Previous Quarter:	92.20%
PEG Ratio	3.04				

Price Ratios		ROE		ROA	
Price/Book	1.63	12/31/10	12.98	12/31/10	3.40
Price/Cash Flow		09/30/10		09/30/10	

	7.51		13.19		3.50
Price / Sales	1.26	06/30/10	12.76	06/30/10	3.44
Current Ratio		**Quick Ratio**		**Operating Margin**	
12/31/10	0.89	12/31/10	0.63	12/31/10	10.02
09/30/10	0.79	09/30/10	0.47	09/30/10	10.27
06/30/10	0.82	06/30/10	0.52	06/30/10	10.01
Net Margin		**Pre-Tax Margin**		**Book Value**	
12/31/10	16.43	12/31/10	16.43	12/31/10	23.52
09/30/10	17.35	09/30/10	17.35	09/30/10	23.28
06/30/10	16.99	06/30/10	16.99	06/30/10	23.47
Inventory Turnover		**Debt-to-Equity**		**Debt to Capital**	
12/31/10	2.98	12/31/10	0.91	12/31/10	47.68
09/30/10	2.87	09/30/10	0.83	09/30/10	45.49
06/30/10	2.86	06/30/10	0.85	06/30/10	45.95

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ATMOS ENERGY CORP (NYSE)

Scottrade

ATO	33.89	▲0.16	(0.47%)	Vol. 286,554	14:22 ET

Atmos Energy Corporation distributes and sells natural gas to residential, commercial, industrial, agricultural and other customers. Atmos operates through five divisions in cities, towns and communities in service areas located in Colorado, Georgia, Illinois, Iowa, Kansas, Kentucky, Louisiana, Missouri, South Carolina, Tennessee, Texas and Virginia. The Company has entered into an agreement to sell all of its natural gas utility operations in South Carolina. The Company also transports natural gas for others through its distribution system.

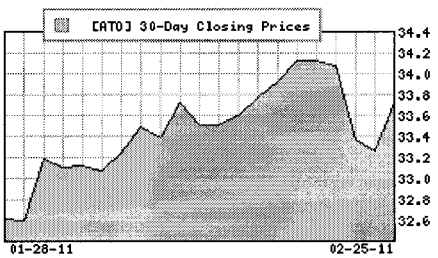
General Information

ATMOS ENERGY CP
Three Lincoln Centre 5430 Lbj Freeway
Suite 1800
Dallas, TX 75240
Phone: 972-934-9227
Fax: 972-855-3040
Web: www.atmosenergy.com
Email: InvestorRelations@atmosenergy.com

Industry	UTIL-GAS DISTR
Sector:	Utilities
Fiscal Year End	September
Last Reported Quarter	12/31/10
Next EPS Date	05/11/2011

Price and Volume Information

Zacks Rank	2
Yesterday's Close	33.73
52 Week High	34.24
52 Week Low	25.86
Beta	0.51
20 Day Moving Average	349,805.09
Target Price Consensus	32



% Price Change		% Price Change Relative to S&P 500	
4 Week	3.40	4 Week	-0.01
12 Week	6.34	12 Week	-1.33
YTD	8.11	YTD	3.01

Share Information		Dividend Information	
Shares Outstanding (millions)	90.42	Dividend Yield	4.03%
		Annual Dividend	$1.36
Market Capitalization (millions)	3,049.93	Payout Ratio	0.58
Short Ratio	6.97	Change in Payout Ratio	-0.05
Last Split Date	05/17/1994	Last Dividend Payout / Amount	02/23/2011 / $0.34

EPS Information		Consensus Recommendations	
Current Quarter EPS Consensus Estimate	1.39	Current (1=Strong Buy, 5=Strong Sell)	2.89
Current Year EPS Consensus Estimate	2.30	30 Days Ago	2.89
Estimated Long-Term EPS Growth Rate	4.50	60 Days Ago	2.89
Next EPS Report Date	05/11/2011	90 Days Ago	2.89

Fundamental Ratios

P/E		EPS Growth		Sales Growth	
Current FY Estimate:	14.64	vs. Previous Year	14.08%	vs. Previous Year	-10.51%
Trailing 12 Months:	14.35	vs. Previous Quarter	-%	vs. Previous Quarter:	47.14%
PEG Ratio	3.25				

Price Ratios		ROE		ROA	
Price/Book	1.34	12/31/10	9.52	12/31/10	3.17
Price/Cash Flow	7.15	09/30/10	9.23	09/30/10	3.11
Price / Sales	0.66	06/30/10	8.89	06/30/10	3.04
Current Ratio		**Quick Ratio**		**Operating Margin**	
12/31/10	0.86	12/31/10	0.63	12/31/10	4.66
09/30/10	0.75	09/30/10	0.48	09/30/10	4.38
06/30/10	0.87	06/30/10	0.61	06/30/10	4.34
Net Margin		**Pre-Tax Margin**		**Book Value**	
12/31/10	6.52	12/31/10	6.52	12/31/10	25.16
09/30/10	6.99	09/30/10	6.99	09/30/10	24.16
06/30/10	6.60	06/30/10	6.60	06/30/10	24.84
Inventory Turnover		**Debt-to-Equity**		**Debt to Capital**	
12/31/10	13.40	12/31/10	0.79	12/31/10	44.27
09/30/10	13.07	09/30/10	0.83	09/30/10	45.38
06/30/10	12.37	06/30/10	0.78	06/30/10	43.89

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LACLEDE GROUP INC (NYSE)

Scottrade

LG	38.71	▼-0.07	(-0.18%)	Vol. 45,508	14:22 ET

The Laclede Group, Inc. is a public utility engaged in the retail distribution and transportation of natural gas. The Company, which is subject to the jurisdiction of the Missouri Public Service Commission, serves the City of St. Louis, St. Louis County, the City of St. Charles, St. Charles County, the town of Arnold, and parts of Franklin, Jefferson, St. Francois, Ste. Genevieve, Iron, Madison and Butler Counties, all in Missouri.

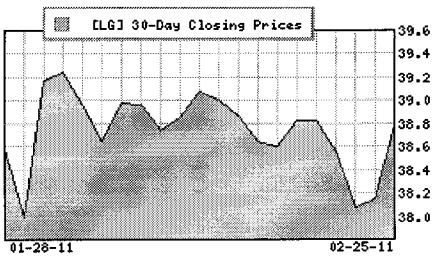
General Information

LACLEDE GRP INC
720 Olive Street
St. Louis, MO 63101
Phone: 314-342-0500
Fax: 314-421-1979
Web: www.thelacledegroup.com
Email: mkullman@lacledegas.com

Industry	UTIL-GAS DISTR
Sector:	Utilities
Fiscal Year End	September
Last Reported Quarter	12/31/10
Next EPS Date	04/22/2011

Price and Volume Information

Zacks Rank	2
Yesterday's Close	38.78
52 Week High	39.99
52 Week Low	31.65
Beta	0.07
20 Day Moving Average	71,511.95
Target Price Consensus	N/A



% Price Change		% Price Change Relative to S&P 500	
4 Week	0.52	4 Week	-2.80
12 Week	7.84	12 Week	0.07
YTD	6.13	YTD	1.13

Share Information		Dividend Information	
Shares Outstanding (millions)	22.38	Dividend Yield	4.18%
		Annual Dividend	$1.62
Market Capitalization (millions)	867.93	Payout Ratio	0.67
Short Ratio	7.88	Change in Payout Ratio	0.06
Last Split Date	03/08/1994	Last Dividend Payout / Amount	12/08/2010 / $0.41

EPS Information		Consensus Recommendations	
Current Quarter EPS Consensus Estimate	1.29	Current (1=Strong Buy, 5=Strong Sell)	3.00
Current Year EPS Consensus Estimate	2.52	30 Days Ago	3.00
Estimated Long-Term EPS Growth Rate	3.00	60 Days Ago	3.00
Next EPS Report Date	04/22/2011	90 Days Ago	3.00

Fundamental Ratios

P/E		EPS Growth		Sales Growth	
Current FY Estimate:	15.42	vs. Previous Year	1.94%	vs. Previous Year	-9.56%
Trailing 12 Months:	16.02	vs. Previous Quarter	1,850.00%	vs. Previous Quarter:	56.39%
PEG Ratio	5.14				

Price Ratios		ROE		ROA	
Price/Book	1.58	12/31/10	9.84	12/31/10	2.95

Price/Cash Flow	9.20	09/30/10	9.83	09/30/10	2.91
Price / Sales	0.51	06/30/10	9.28	06/30/10	2.76
Current Ratio		**Quick Ratio**		**Operating Margin**	
12/31/10	1.39	12/31/10	0.97	12/31/10	3.18
09/30/10	1.24	09/30/10	0.84	09/30/10	3.07
06/30/10	1.35	06/30/10	1.10	06/30/10	2.93
Net Margin		**Pre-Tax Margin**		**Book Value**	
12/31/10	4.83	12/31/10	4.83	12/31/10	24.51
09/30/10	4.68	09/30/10	4.68	09/30/10	24.02
06/30/10	4.38	06/30/10	4.38	06/30/10	24.54
Inventory Turnover		**Debt-to-Equity**		**Debt to Capital**	
12/31/10	13.41	12/31/10	0.66	12/31/10	39.91
09/30/10	14.62	09/30/10	0.68	09/30/10	40.48
06/30/10	14.90	06/30/10	0.67	06/30/10	39.99

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NEW JERSEY RES (NYSE)

Scottrade

NJR	41.82	▼-0.04	(-0.10%)	Vol. 64,473	14:23 ET

NJ RESOURCES is an exempt energy svcs holding company providing retail & wholesale natural gas & related energy services to customers from the Gulf Coast to New England. Subsidiaries include: (1) N J Natural Gas Co, a natural gas distribution company that provides regulated energy & appliance services to residential, commercial & industrial customers in central & northern N J. (2) NJR Energy Holdings Corp formerly NJR Energy Svcs Corp & (3) NJR Development Corp, a sub-holding company of NJR, which includes the Company's remaining unregulated operating subsidiaries.

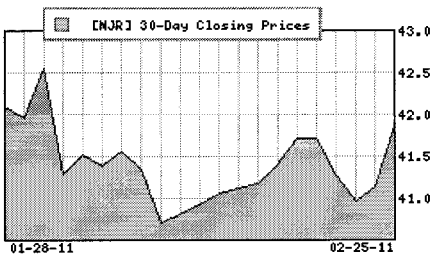
General Information

NJ RESOURCES
1415 Wyckoff Road
Wall, NJ 07719
Phone: 732-938-1489
Fax: 732 938-3154
Web: www.njresources.com
Email: investcont@njresources.com

Industry	UTIL-GAS DISTR
Sector:	Utilities
Fiscal Year End	September
Last Reported Quarter	12/31/10
Next EPS Date	05/11/2011

Price and Volume Information

Zacks Rank	
Yesterday's Close	41.86
52 Week High	44.10
52 Week Low	34.07
Beta	0.20
20 Day Moving Average	240,500.50
Target Price Consensus	43.83



% Price Change		% Price Change Relative to S&P 500	
4 Week	-0.55	4 Week	-3.83
12 Week	-2.04	12 Week	-9.10
YTD	-2.90	YTD	-7.48

Share Information		Dividend Information	
Shares Outstanding (millions)	41.29	Dividend Yield	3.44%
		Annual Dividend	$1.44
Market Capitalization (millions)	1,728.32	Payout Ratio	0.58
Short Ratio	20.66	Change in Payout Ratio	0.04
Last Split Date	03/04/2008	Last Dividend Payout / Amount	12/13/2010 / $0.36

EPS Information		Consensus Recommendations	
Current Quarter EPS Consensus Estimate	1.73	Current (1=Strong Buy, 5=Strong Sell)	2.50
Current Year EPS Consensus Estimate	2.60	30 Days Ago	2.25
Estimated Long-Term EPS Growth Rate	4.00	60 Days Ago	2.06
Next EPS Report Date	05/11/2011	90 Days Ago	2.06

Fundamental Ratios

P/E		EPS Growth		Sales Growth	
Current FY Estimate:	16.13	vs. Previous Year	7.69%	vs. Previous Year	17.00%
Trailing 12 Months:	16.81	vs. Previous Quarter	2,433.33%	vs. Previous Quarter:	12.93%
PEG Ratio	4.03				

Price Ratios		ROE		ROA	
Price/Book	2.34	12/31/10	13.92	12/31/10	4.05
Price/Cash Flow	12.78	09/30/10	13.91	09/30/10	4.14
Price / Sales	0.63	06/30/10	13.54	06/30/10	4.08
Current Ratio		**Quick Ratio**		**Operating Margin**	
12/31/10	1.09	12/31/10	0.65	12/31/10	3.77
09/30/10	1.11	09/30/10	0.63	09/30/10	3.86
06/30/10	1.26	06/30/10	0.79	06/30/10	4.04
Net Margin		**Pre-Tax Margin**		**Book Value**	
12/31/10	4.61	12/31/10	4.61	12/31/10	17.86
09/30/10	6.52	09/30/10	6.52	09/30/10	17.61
06/30/10	5.91	06/30/10	5.91	06/30/10	17.95
Inventory Turnover		**Debt-to-Equity**		**Debt to Capital**	
12/31/10	8.34	12/31/10	0.59	12/31/10	36.96
09/30/10	8.34	09/30/10	0.59	09/30/10	37.15
06/30/10	7.93	06/30/10	0.59	06/30/10	36.98

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NORTHWEST NAT GAS CO (NYSE)

NWN	46.90	▲0.85	(1.85%)	Vol. 89,973	14:23 ET

NW Natural is principally engaged in the distribution of natural gas.The Oregon Public Utility Commission (OPUC) has allocated to NW Natural as its exclusive service area a major portion of western Oregon, including the Portland metropolitan area, most of the fertile Willamette Valley and the coastal area from Astoria to Coos Bay. NW Natural also holds certificates from the Washington Utilities and Transportation Commission (WUTC) granting it exclusive rights to serve portions of three Washington counties bordering the Columbia River.

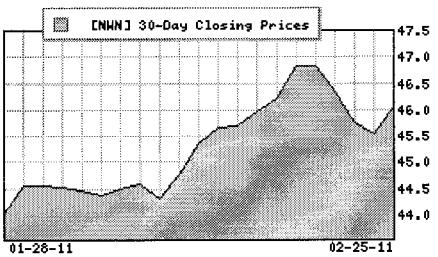
General Information

NORTHWEST NAT G
220 NW Second Avenue
Portland, OR 97209
Phone: 503 226-4211
Fax: 503 273-4824
Web: www.nwnatural.com
Email: Bob.Hess@nwnatural.com

Industry	UTIL-GAS DISTR
Sector:	Utilities
Fiscal Year End	December
Last Reported Quarter	12/31/10
Next EPS Date	05/11/2011

Price and Volume Information

Zacks Rank	2
Yesterday's Close	46.05
52 Week High	50.86
52 Week Low	41.90
Beta	0.30
20 Day Moving Average	111,424.00
Target Price Consensus	48.33



% Price Change		% Price Change Relative to S&P 500	
4 Week	4.61	4 Week	1.16
12 Week	-1.98	12 Week	-9.05
YTD	-0.90	YTD	-5.58

Share Information		Dividend Information	
Shares Outstanding (millions)	26.64	Dividend Yield	3.78%
		Annual Dividend	$1.74
Market Capitalization (millions)	1,226.77	Payout Ratio	0.00
Short Ratio	16.96	Change in Payout Ratio	0.00
Last Split Date	09/09/1996	Last Dividend Payout / Amount	01/27/2011 / $0.44

EPS Information		Consensus Recommendations	
Current Quarter EPS Consensus Estimate	1.68	Current (1=Strong Buy, 5=Strong Sell)	2.25
Current Year EPS Consensus Estimate	2.55	30 Days Ago	2.25
Estimated Long-Term EPS Growth Rate	4.40	60 Days Ago	2.25
Next EPS Report Date	05/11/2011	90 Days Ago	2.25

Fundamental Ratios

P/E		EPS Growth		Sales Growth	
Current FY Estimate:	18.06	vs. Previous Year	-12.00%	vs. Previous Year	-18.64%
Trailing 12 Months:	16.45	vs. Previous Quarter	-207.69%	vs. Previous Quarter:	-41.45%
PEG Ratio	4.13				

Price Ratios	ROE	ROA

Price/Book	1.81	12/31/10	-	12/31/10	-
Price/Cash Flow	8.85	09/30/10	10.95	09/30/10	3.07
Price / Sales	-	06/30/10	11.20	06/30/10	3.16
Current Ratio		**Quick Ratio**		**Operating Margin**	
12/31/10	-	12/31/10	-	12/31/10	-
09/30/10	0.56	09/30/10	0.35	09/30/10	8.73
06/30/10	0.60	06/30/10	0.38	06/30/10	8.59
Net Margin		**Pre-Tax Margin**		**Book Value**	
12/31/10	-	12/31/10	-	12/31/10	-
09/30/10	14.46	09/30/10	14.46	09/30/10	25.41
06/30/10	14.39	06/30/10	14.39	06/30/10	26.00
Inventory Turnover		**Debt-to-Equity**		**Debt to Capital**	
12/31/10	-	12/31/10	-	12/31/10	-
09/30/10	7.34	09/30/10	0.88	09/30/10	46.70
06/30/10	7.41	06/30/10	0.86	06/30/10	46.14

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PIEDMONT NAT GAS INC (NYSE)

Scottrade

PNY	29.47	-0.14	(-0.47%)	Vol. 184,911	11:36 ET

Piedmont Natural Gas Co, Inc., is an energy and services company engaged in the transportation and sale of natural gas and the sale of propane to residential, commercial and industrial customers in North Carolina, South Carolina and Tennessee. The Company is the second-largest natural gas utility in the southeast. The Company and its non-utility subsidiaries and divisions are also engaged in acquiring, marketing and arranging for the transportation and storage of natural gas for large-volume purchasers, and in the sale of propane to customers in the Company's three-state service area.

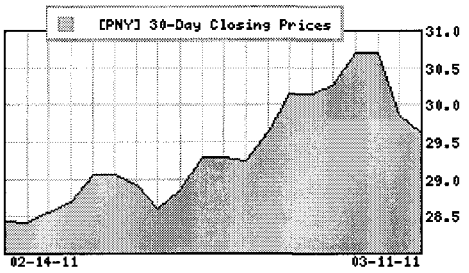
General Information

PIEDMONT NAT GA
4720 Piedmont Row Drive
Charlotte, NC 28210
Phone: 704 364-3120
Fax: 704-365-3849
Web: www.piedmontng.com
Email: investorrelations@piedmontng.com

Industry	UTIL-GAS DISTR
Sector:	Utilities
Fiscal Year End	October
Last Reported Quarter	01/31/11
Next EPS Date	06/07/2011

Price and Volume Information

Zacks Rank	2
Yesterday's Close	29.61
52 Week High	30.96
52 Week Low	24.50
Beta	0.25
20 Day Moving Average	322,136.84
Target Price Consensus	27.25



% Price Change		% Price Change Relative to S&P 500	
4 Week	4.19	4 Week	6.17
12 Week	-0.10	12 Week	-4.73
YTD	5.90	YTD	2.11

Share Information		Dividend Information	
Shares Outstanding (millions)	72.42	Dividend Yield	3.78%
		Annual Dividend	$1.12
Market Capitalization (millions)	2,144.42	Payout Ratio	0.72
Short Ratio	11.22	Change in Payout Ratio	0.02
Last Split Date	11/01/2004	Last Dividend Payout / Amount	12/22/2010 / $0.28

EPS Information

Current Quarter EPS Consensus Estimate	0.66
Current Year EPS Consensus Estimate	1.59
Estimated Long-Term EPS Growth Rate	4.50
Next EPS Report Date	06/07/2011

Consensus Recommendations

Current (1=Strong Buy, 5=Strong Sell)	3.43
30 Days Ago	3.43
60 Days Ago	3.43
90 Days Ago	2.86

Fundamental Ratios

P/E		EPS Growth		Sales Growth	
Current FY Estimate:	18.66	vs. Previous Year	1.75%	vs. Previous Year	-3.22%
Trailing 12 Months:	18.98	vs. Previous Quarter	1,066.67%	vs. Previous Quarter:	235.92%
PEG Ratio	4.15				

Price Ratios		ROE		ROA	
Price/Book	2.21	01/31/11	11.39	01/31/11	3.76
Price/Cash Flow	9.97	10/31/10	11.31	10/31/10	3.65
Price / Sales	1.40	07/31/10	11.91	07/31/10	3.79
Current Ratio		**Quick Ratio**		**Operating Margin**	
01/31/11	-	01/31/11	-	01/31/11	7.36
10/31/10	0.66	10/31/10	0.44	10/31/10	7.21
07/31/10	0.77	07/31/10	0.48	07/31/10	7.39
Net Margin		**Pre-Tax Margin**		**Book Value**	
01/31/11	-	01/31/11	-	01/31/11	-
10/31/10	15.06	10/31/10	15.06	10/31/10	13.38
07/31/10	15.52	07/31/10	15.52	07/31/10	13.74
Inventory Turnover		**Debt-to-Equity**		**Debt to Capital**	
01/31/11	-	01/31/11	-	01/31/11	-
10/31/10	11.93	10/31/10	0.70	10/31/10	41.05
07/31/10	12.06	07/31/10	0.74	07/31/10	42.54

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SOUTH JERSEY INDS INC (NYSE)

Scottrade

SJI	55.88	-1.14	(-2.00%)	Vol. 87,080	14:40 ET

South Jersey Inds Inc. is engaged in the business of operating, through subsidiaries, various business enterprises. The company's most significant subsidiary is South Jersey Gas Company (SJG). SJG is a public utility company engaged in the purchase, transmission and sale of natural gas for residential, commercial and industrial use. SJG also makes off-system sales of natural gas on a wholesale basis to various customers on the interstate pipeline system and transports natural gas.

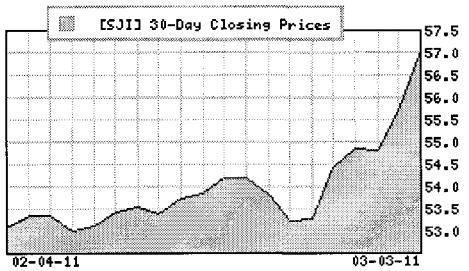
General Information

SOUTH JERSEY IN
1 South Jersey Plaza
Folsom, NJ 08037
Phone: 609 561-9000
Fax: 609 561-8225
Web: www.sjindustries.com
Email: investorrelations@sjindustries.com

Industry	UTIL-GAS DISTR
Sector:	Utilities
Fiscal Year End	December
Last Reported Quarter	12/31/10
Next EPS Date	05/05/2011

Price and Volume Information

Zacks Rank	2
Yesterday's Close	57.02
52 Week High	57.29
52 Week Low	39.63
Beta	0.29
20 Day Moving Average	82,356.50
Target Price Consensus	57.67



% Price Change		% Price Change Relative to S&P 500	
4 Week	7.42	4 Week	5.50
12 Week	9.25	12 Week	1.21
YTD	7.95	YTD	-1.83

Share Information		Dividend Information	
Shares Outstanding (millions)	29.87	Dividend Yield	2.56%
		Annual Dividend	$1.46
Market Capitalization (millions)	1,703.36	Payout Ratio	0.00
Short Ratio	20.98	Change in Payout Ratio	0.00
Last Split Date	07/01/2005	Last Dividend Payout / Amount	12/08/2010 / $0.37

EPS Information		Consensus Recommendations	
Current Quarter EPS Consensus Estimate	1.62	Current (1=Strong Buy, 5=Strong Sell)	1.57
Current Year EPS Consensus Estimate	3.06	30 Days Ago	1.57
Estimated Long-Term EPS Growth Rate	6.50	60 Days Ago	1.64
Next EPS Report Date	05/05/2011	90 Days Ago	1.64

Fundamental Ratios

P/E		EPS Growth		Sales Growth	
Current FY Estimate:	18.61	vs. Previous Year	4.82%	vs. Previous Year	27.86%
Trailing 12 Months:	21.12	vs. Previous Quarter	770.00%	vs. Previous Quarter:	76.43%
PEG Ratio	2.86				

Price Ratios	ROE	ROA

Price/Book	2.99	12/31/10	-	12/31/10	-
Price/Cash Flow	13.55	09/30/10	14.33	09/30/10	4.32
Price / Sales	1.84	06/30/10	13.63	06/30/10	4.19
Current Ratio		**Quick Ratio**		**Operating Margin**	
12/31/10	-	12/31/10	-	12/31/10	-
09/30/10	0.58	09/30/10	0.41	09/30/10	9.22
06/30/10	0.74	06/30/10	0.54	06/30/10	9.01
Net Margin		**Pre-Tax Margin**		**Book Value**	
12/31/10	-	12/31/10	-	12/31/10	-
09/30/10	11.28	09/30/10	11.28	09/30/10	18.62
06/30/10	11.76	06/30/10	11.76	06/30/10	18.56
Inventory Turnover		**Debt-to-Equity**		**Debt to Capital**	
12/31/10	-	12/31/10	-	12/31/10	-
09/30/10	7.65	09/30/10	0.51	09/30/10	33.88
06/30/10	6.86	06/30/10	0.67	06/30/10	40.11

ZACKS INVESTMENT RESEARCH
Proven Ratings, Research & Recommendations
Zacks.com Quotes and Research

SOUTHWEST GAS CORP (NYSE)

SWX	38.97	-0.43	(-1.09%)	Vol. 43,464	14:40 ET

SOUTHWEST GAS CORP. is principally engaged in the business of purchasing,transporting, and distributing natural gas in portions of Arizona, Nevada,and California. The Company also engaged in financial services activities,through PriMerit Bank, Federal Savings Bank (PriMerit or the Bank), a wholly owned subsidiary.

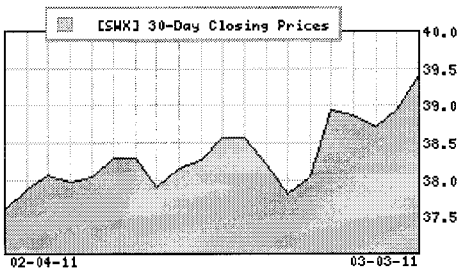
General Information

SOUTHWEST GAS
5241 Spring Mountain Road
P.O. Box 98510
Las Vegas, NV 89193-8510
Phone: 702 876-7237
Fax: 702-876-7037
Web: www.swgas.com
Email: None

Industry	UTIL-GAS DISTR
Sector:	Utilities
Fiscal Year End	December
Last Reported Quarter	12/31/10
Next EPS Date	05/11/2011

Price and Volume Information

Zacks Rank	
Yesterday's Close	39.40
52 Week High	39.53
52 Week Low	28.12
Beta	0.73
20 Day Moving Average	158,886.66
Target Price Consensus	35.38



% Price Change		% Price Change Relative to S&P 500	
4 Week	4.18	4 Week	2.31
12 Week	11.27	12 Week	3.08
YTD	7.44	YTD	1.16

Share Information		Dividend Information	
Shares Outstanding (millions)	45.78	Dividend Yield	2.54%
		Annual Dividend	$1.00
Market Capitalization (millions)	1,803.89	Payout Ratio	0.00
Short Ratio	8.01	Change in Payout Ratio	0.00
Last Split Date	N/A	Last Dividend Payout / Amount	02/11/2011 / $0.25

EPS Information		Consensus Recommendations	
Current Quarter EPS Consensus Estimate	1.46	Current (1=Strong Buy, 5=Strong Sell)	3.50
Current Year EPS Consensus Estimate	2.26	30 Days Ago	3.50
Estimated Long-Term EPS Growth Rate	6.00	60 Days Ago	3.00
Next EPS Report Date	05/11/2011	90 Days Ago	3.00

Fundamental Ratios

P/E		EPS Growth		Sales Growth	
Current FY Estimate:	17.45	vs. Previous Year	-3.92%	vs. Previous Year	-6.15%
Trailing 12 Months:	15.82	vs. Previous Quarter	790.91%	vs. Previous Quarter:	52.14%
PEG Ratio	2.91				

Price Ratios		ROE		ROA	
Price/Book	1.54	12/31/10	-	12/31/10	-

Price/Cash Flow	6.78	09/30/10	10.16	09/30/10	3.02
Price / Sales	0.99	06/30/10	10.60	06/30/10	3.12
Current Ratio		**Quick Ratio**		**Operating Margin**	
12/31/10	-	12/31/10	-	12/31/10	-
09/30/10	0.57	09/30/10	0.57	09/30/10	6.18
06/30/10	0.58	06/30/10	0.58	06/30/10	6.33
Net Margin		**Pre-Tax Margin**		**Book Value**	
12/31/10	-	12/31/10	-	12/31/10	-
09/30/10	8.62	09/30/10	8.62	09/30/10	24.62
06/30/10	8.34	06/30/10	8.34	06/30/10	25.13
Inventory Turnover		**Debt-to-Equity**		**Debt to Capital**	
12/31/10	-	12/31/10	-	12/31/10	-
09/30/10	-	09/30/10	0.96	09/30/10	49.02
06/30/10	-	06/30/10	0.94	06/30/10	48.57

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WGL HLDGS INC (NYSE)

Scottrade

WGL	38.08	▲0.24	(0.63%)	Vol. 86,812	14:27 ET

WASHINGTON GAS LIGHT CO is a public utility that delivers and sells natural gas to metropolitan Washington, D.C. and adjoining areas in Maryland and Virginia. A distribution subsidiary serves portions of Virginia and West Virginia. The Company has four wholly-owned active subsidiaries that include: Shenandoah Gas Company (Shenandoah) is engaged in the delivery and sale of natural gas at retail in the Shenandoah Valley, including Winchester, Middletown, Strasburg, Stephens City and New Market, Virginia, and Martinsburg, West Virginia.

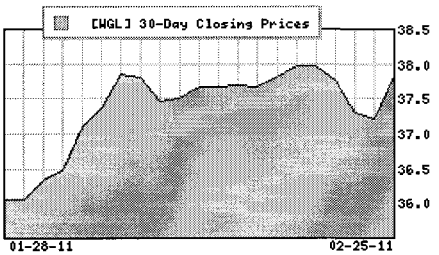
General Information

WGL HLDGS INC
101 Constitution Avenue NW
Washington, DC 20080
Phone: 703 750-2000
Fax: 703 750-4828
Web: www.wglholdings.com
Email: madams@washgas.com

Industry	UTIL-GAS DISTR
Sector:	Utilities
Fiscal Year End	September
Last Reported Quarter	12/31/10
Next EPS Date	05/11/2011

Price and Volume Information

Zacks Rank	#2
Yesterday's Close	37.84
52 Week High	N/A
52 Week Low	32.49
Beta	0.25
20 Day Moving Average	219,066.25
Target Price Consensus	39.71



% Price Change		% Price Change Relative to S&P 500	
4 Week	4.97	4 Week	1.50
12 Week	5.17	12 Week	-2.41
YTD	5.79	YTD	0.80

Share Information		Dividend Information	
Shares Outstanding (millions)	51.07	Dividend Yield	3.99%
		Annual Dividend	$1.51
Market Capitalization (millions)	1,932.56	Payout Ratio	0.66
Short Ratio	16.68	Change in Payout Ratio	0.02
Last Split Date	05/02/1995	Last Dividend Payout / Amount	01/06/2011 / $0.38

EPS Information		Consensus Recommendations	
Current Quarter EPS Consensus Estimate	1.57	Current (1=Strong Buy, 5=Strong Sell)	2.25
Current Year EPS Consensus Estimate	2.06	30 Days Ago	2.50
Estimated Long-Term EPS Growth Rate	5.30	60 Days Ago	2.50
Next EPS Report Date	05/11/2011	90 Days Ago	2.50

Fundamental Ratios

P/E		EPS Growth		Sales Growth	
Current FY Estimate:	18.39	vs. Previous Year	0.99%	vs. Previous Year	9.41%
Trailing 12 Months:	16.45	vs. Previous Quarter	451.72%	vs. Previous Quarter:	71.10%
PEG Ratio	3.50				

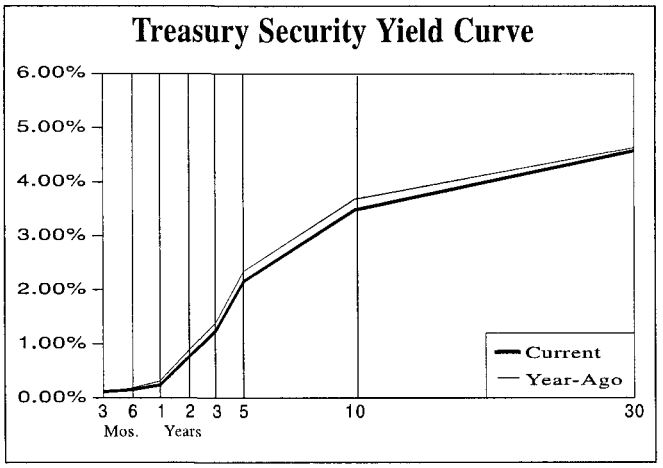
Price Ratios	ROE	ROA

Price/Book	1.61	12/31/10	9.82	12/31/10	3.17
Price/Cash Flow	9.01	09/30/10	9.86	09/30/10	3.22
Price / Sales	0.70	06/30/10	10.19	06/30/10	3.36
Current Ratio		**Quick Ratio**		**Operating Margin**	
12/31/10	1.30	12/31/10	1.00	12/31/10	4.19
09/30/10	1.32	09/30/10	0.83	09/30/10	4.25
06/30/10	1.63	06/30/10	1.19	06/30/10	4.42
Net Margin		**Pre-Tax Margin**		**Book Value**	
12/31/10	7.74	12/31/10	7.74	12/31/10	23.53
09/30/10	6.82	09/30/10	6.82	09/30/10	22.68
06/30/10	7.88	06/30/10	7.88	06/30/10	23.55
Inventory Turnover		**Debt-to-Equity**		**Debt to Capital**	
12/31/10	11.69	12/31/10	0.53	12/31/10	34.15
09/30/10	11.71	09/30/10	0.51	09/30/10	33.41
06/30/10	11.41	06/30/10	0.50	06/30/10	32.63

ATTACHMENT D

Selected Yields

	Recent (3/2/11)	3 Months Ago (12/01/10)	Year Ago (3/03/10)
TAXABLE			
Market Rates			
Discount Rate	0.75	0.75	0.75
Federal Funds	0.00-0.25	0.00-0.25	0.00-0.25
Prime Rate	3.25	3.25	3.25
30-day CP (A1/P1)	0.24	0.25	0.16
3-month LIBOR	0.31	0.30	0.25
Bank CDs			
6-month	0.21	0.31	0.25
1-year	0.29	0.51	0.44
5-year	1.76	1.52	1.99
U.S. Treasury Securities			
3-month	0.12	0.16	0.14
6-month	0.15	0.19	0.18
1-year	0.23	0.27	0.30
5-year	2.17	1.64	2.27
10-year	3.47	2.96	3.62
10-year (inflation-protected)	0.90	0.77	1.44
30-year	4.56	4.24	4.59
30-year Zero	4.91	4.59	4.86
Mortgage-Backed Securities			
GNMA 5.5%	2.75	2.19	2.17
FHLMC 5.5% (Gold)	3.33	2.60	1.84
FNMA 5.5%	3.24	2.53	2.26
FNMA ARM	2.63	2.80	2.93
Corporate Bonds			
Financial (10-year) A	4.75	4.49	5.16
Industrial (25/30-year) A	5.56	5.48	5.70
Utility (25/30-year) A	5.69	5.60	5.79
Utility (25/30-year) Baa/BBB	6.08	6.04	6.28
Foreign Bonds (10-Year)			
Canada	3.34	3.17	3.42
Germany	3.20	2.78	3.14
Japan	1.28	1.15	1.34
United Kingdom	3.64	3.36	4.03
Preferred Stocks			
Utility A	5.77	5.79	5.94
Financial A	6.54	6.60	6.73
Financial Adjustable A	5.53	5.53	5.53



	Recent (3/2/11)	3 Months Ago (12/01/10)	Year Ago (3/03/10)
TAX-EXEMPT			
Bond Buyer Indexes			
20-Bond Index (GOs)	4.95	4.60	4.36
25-Bond Index (Revs)	5.57	5.16	4.94
General Obligation Bonds (GOs)			
1-year Aaa	0.40	0.44	0.27
1-year A	1.22	1.36	1.04
5-year Aaa	1.82	1.46	1.49
5-year A	2.76	2.55	2.49
10-year Aaa	3.20	3.08	3.02
10-year A	4.37	4.21	4.07
25/30-year Aaa	4.72	4.52	4.44
25/30-year A	6.25	5.67	5.48
Revenue Bonds (Revs) (25/30-Year)			
Education AA	5.18	4.99	4.76
Electric AA	5.30	5.01	4.75
Housing AA	6.28	5.83	5.62
Hospital AA	5.59	5.20	5.06
Toll Road Aaa	5.34	5.02	4.81

Federal Reserve Data

BANK RESERVES

(Two-Week Period; in Millions, Not Seasonally Adjusted)

	Recent Levels			Average Levels Over the Last...		
	2/23/11	2/9/11	Change	12 Wks.	26 Wks.	52 Wks.
Excess Reserves	1217550	1092479	125071	1050768	1017040	1040567
Borrowed Reserves	22001	22666	-665	35991	43735	60430
Net Free/Borrowed Reserves	1195549	1069813	125736	1014777	973305	980137

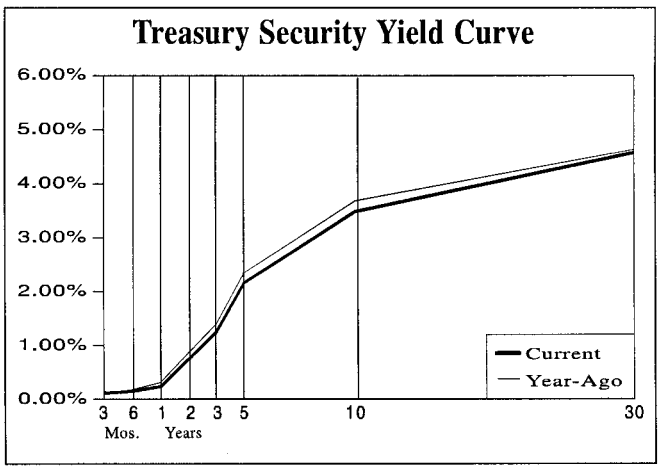
MONEY SUPPLY

(One-Week Period; in Billions, Seasonally Adjusted)

	Recent Levels			Growth Rates Over the Last...		
	2/14/11	2/7/11	Change	3 Mos.	6 Mos.	12 Mos.
M1 (Currency+demand deposits)	1852.7	1861.3	-8.6	12.1%	12.7%	8.0%
M2 (M1+savings+small time deposits)	8882.9	8874.5	8.4	5.0%	5.4%	3.9%

Selected Yields

	Recent (2/23/11)	3 Months Ago (11/23/10)	Year Ago (2/24/10)
TAXABLE			
Market Rates			
Discount Rate	0.75	0.75	0.75
Federal Funds	0.00-0.25	0.00-0.25	0.00-0.25
Prime Rate	3.25	3.25	3.25
30-day CP (A1/P1)	0.23	0.24	0.15
3-month LIBOR	0.31	0.29	0.25
Bank CDs			
6-month	0.21	0.31	0.25
1-year	0.29	0.51	0.45
5-year	1.65	1.51	1.99
U.S. Treasury Securities			
3-month	0.12	0.13	0.11
6-month	0.15	0.19	0.18
1-year	0.24	0.24	0.31
5-year	2.17	1.40	2.35
10-year	3.49	2.77	3.69
10-year (inflation-protected)	0.97	0.67	1.50
30-year	4.58	4.20	4.64
30-year Zero	4.94	4.60	4.90



	Recent (2/23/11)	3 Months Ago (11/23/10)	Year Ago (2/24/10)
Mortgage-Backed Securities			
GNMA 5.5%	2.78	1.64	2.39
FHLMC 5.5% (Gold)	3.36	2.04	2.03
FNMA 5.5%	3.27	1.92	2.81
FNMA ARM	2.66	2.81	2.98
Corporate Bonds			
Financial (10-year) A	4.73	4.29	5.33
Industrial (25/30-year) A	5.57	5.40	5.74
Utility (25/30-year) A	5.66	5.51	5.85
Utility (25/30-year) Baa/BBB	6.07	5.94	6.34
Foreign Bonds (10-Year)			
Canada	3.33	3.11	3.45
Germany	3.14	2.55	3.14
Japan	1.26	1.14	1.33
United Kingdom	3.67	3.26	4.08
Preferred Stocks			
Utility A	5.79	5.77	5.94
Financial A	6.07	6.07	6.73
Financial Adjustable A	5.52	5.52	5.52
TAX-EXEMPT			
Bond Buyer Indexes			
20-Bond Index (GOs)	5.10	4.72	4.38
25-Bond Index (Revs)	5.60	5.25	4.97
General Obligation Bonds (GOs)			
1-year Aaa	0.37	0.43	0.32
1-year A	1.21	1.35	1.08
5-year Aaa	1.85	1.53	1.55
5-year A	2.80	2.63	2.58
10-year Aaa	3.36	3.12	3.11
10-year A	4.43	4.27	4.11
25/30-year Aaa	4.80	4.53	4.46
25/30-year A	6.25	5.73	5.51
Revenue Bonds (Revs) (25/30-Year)			
Education AA	5.23	4.99	4.79
Electric AA	5.37	5.01	4.78
Housing AA	6.36	5.87	5.65
Hospital AA	5.60	5.20	5.07
Toll Road Aaa	5.38	5.02	4.84

Federal Reserve Data

BANK RESERVES

(Two-Week Period; in Millions, Not Seasonally Adjusted)

	Recent Levels			Average Levels Over the Last...		
	2/9/11	1/26/11	Change	12 Wks.	26 Wks.	52 Wks.
Excess Reserves	1092486	1041034	51452	1014870	1003345	1036933
Borrowed Reserves	22666	25101	-2435	39510	46673	64314
Net Free/Borrowed Reserves	1069820	1015933	53887	975360	956673	972619

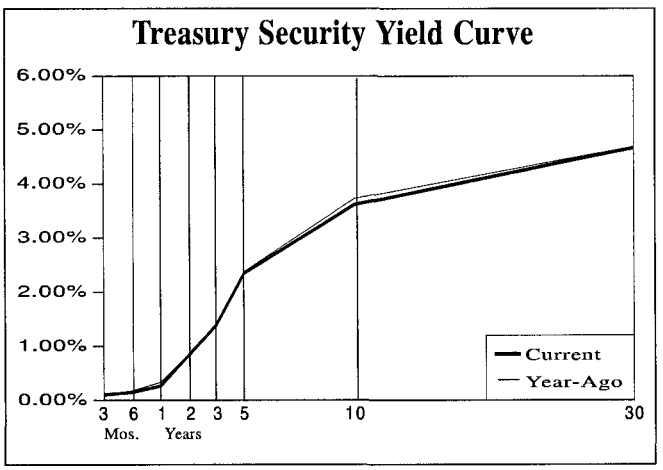
MONEY SUPPLY

(One-Week Period; in Billions, Seasonally Adjusted)

	Recent Levels			Growth Rates Over the Last...		
	2/7/11	1/31/11	Change	3 Mos.	6 Mos.	12 Mos.
M1 (Currency+demand deposits)	1861.2	1896.0	-34.8	2.4%	13.7%	10.0%
M2 (M1+savings+small time deposits)	8873.7	8868.1	5.6	4.9%	5.4%	4.3%

Selected Yields

	Recent (2/16/11)	3 Months Ago (11/17/10)	Year Ago (2/17/10)
TAXABLE			
Market Rates			
Discount Rate	0.75	0.75	0.50
Federal Funds	0.00-0.25	0.00-0.25	0.00-0.25
Prime Rate	3.25	3.25	3.25
30-day CP (A1/P1)	0.31	0.24	0.16
3-month LIBOR	0.31	0.28	0.25
Bank CDs			
6-month	0.21	0.31	0.25
1-year	0.29	0.52	0.45
5-year	1.65	1.53	1.97
U.S. Treasury Securities			
3-month	0.11	0.13	0.09
6-month	0.15	0.18	0.18
1-year	0.27	0.26	0.34
5-year	2.35	1.47	2.38
10-year	3.62	2.88	3.73
10-year (inflation-protected)	1.25	0.76	1.44
30-year	4.68	4.29	4.70
30-year Zero	5.01	4.71	4.96



	Recent (2/16/11)	3 Months Ago (11/17/10)	Year Ago (2/17/10)
Mortgage-Backed Securities			
GNMA 6.5%	2.96	1.85	2.99
FHLMC 6.5% (Gold)	3.51	2.14	1.75
FNMA 6.5%	3.45	2.00	2.61
FNMA ARM	2.66	2.81	2.98
Corporate Bonds			
Financial (10-year) A	4.85	4.35	5.41
Industrial (25/30-year) A	5.65	5.41	5.85
Utility (25/30-year) A	5.77	5.60	5.93
Utility (25/30-year) Baa/BBB	6.15	6.02	6.44
Foreign Bonds (10-Year)			
Canada	3.50	3.10	3.47
Germany	3.24	2.60	3.19
Japan	1.36	1.07	1.33
United Kingdom	3.81	3.27	4.03
Preferred Stocks			
Utility A	5.79	5.79	5.40
Financial A	6.07	6.07	7.14
Financial Adjustable A	5.52	5.52	5.52
TAX-EXEMPT			
Bond Buyer Indexes			
20-Bond Index (GOs)	5.29	4.24	4.34
25-Bond Index (Revs)	5.67	4.87	4.96
General Obligation Bonds (GOs)			
1-year Aaa	0.38	0.40	0.31
1-year A	1.16	1.26	1.10
5-year Aaa	1.95	1.46	1.55
5-year A	2.87	2.54	2.59
10-year Aaa	3.52	2.96	3.12
10-year A	4.52	4.18	4.10
25/30-year Aaa	4.94	4.45	4.45
25/30-year A	6.25	5.64	5.50
Revenue Bonds (Revs) (25/30-Year)			
Education AA	5.33	4.86	4.77
Electric AA	5.48	4.88	4.76
Housing AA	6.42	5.75	5.63
Hospital AA	5.71	5.08	5.03
Toll Road Aaa	5.46	4.90	4.83

Federal Reserve Data

BANK RESERVES

(Two-Week Period; in Millions, Seasonally Adjusted)

	Recent Levels			Average Levels Over the Last...		
	2/9/11	1/26/11	Change	12 Wks.	26 Wks.	52 Wks.
Excess Reserves	1092493	1041050	51443	1014873	1003347	1036934
Borrowed Reserves	22666	25101	-2435	39510	46673	64314
Net Free/Borrowed Reserves	1069827	1015949	53878	975363	956674	972620

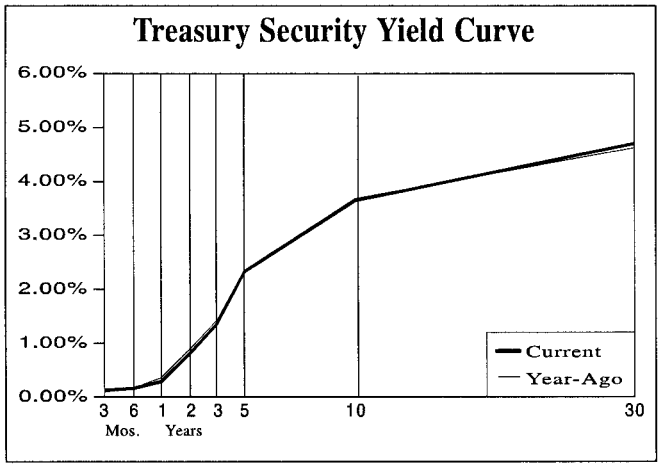
MONEY SUPPLY

(One-Week Period; in Billions, Seasonally Adjusted)

	Recent Levels			Growth Rates Over the Last...		
	1/31/11	1/24/11	Change	3 Mos.	6 Mos.	12 Mos.
M1 (Currency+demand deposits)	1895.4	1861.2	34.2	31.8%	19.1%	12.8%
M2 (M1+savings+small time deposits)	8867.8	8828.3	39.5	4.1%	5.1%	4.3%

Selected Yields

	Recent (2/09/11)	3 Months Ago (11/10/10)	Year Ago (2/10/10)
TAXABLE			
Market Rates			
Discount Rate	0.75	0.75	0.50
Federal Funds	0.00-0.25	0.00-0.25	0.00-0.25
Prime Rate	3.25	3.25	3.25
30-day CP (A1/P1)	0.31	0.22	0.16
3-month LIBOR	0.31	0.29	0.25
Bank CDs			
6-month	0.21	0.32	0.25
1-year	0.29	0.52	0.45
5-year	1.65	1.55	1.97
U.S. Treasury Securities			
3-month	0.13	0.13	0.10
6-month	0.16	0.16	0.17
1-year	0.29	0.22	0.36
5-year	2.33	1.20	2.36
10-year	3.65	2.63	3.69
10-year (inflation-protected)	1.20	0.48	1.31
30-year	4.71	4.23	4.63
30-year Zero	5.02	4.69	4.88
Mortgage-Backed Securities			
GNMA 6.5%	3.17	1.19	3.10
FHLMC 6.5% (Gold)	3.78	1.72	2.05
FNMA 6.5%	3.68	1.67	2.03
FNMA ARM	2.66	2.81	2.98
Corporate Bonds			
Financial (10-year) A	4.94	3.96	5.40
Industrial (25/30-year) A	5.67	5.28	5.75
Utility (25/30-year) A	5.82	5.49	5.80
Utility (25/30-year) Baa/BBB	6.22	5.88	6.34
Foreign Bonds (10-Year)			
Canada	3.45	2.97	3.44
Germany	3.31	2.44	3.20
Japan	1.34	1.00	1.34
United Kingdom	3.87	3.16	3.93
Preferred Stocks			
Utility A	5.80	5.79	5.98
Financial A	6.06	6.06	6.87
Financial Adjustable A	5.51	5.51	5.51



	Recent (2/09/11)	3 Months Ago (11/10/10)	Year Ago (2/10/10)
TAX-EXEMPT			
Bond Buyer Indexes			
20-Bond Index (GOs)	5.25	4.02	4.36
25-Bond Index (Revs)	5.63	4.71	4.96
General Obligation Bonds (GOs)			
1-year Aaa	0.39	0.35	0.31
1-year A	1.16	1.19	1.17
5-year Aaa	1.96	1.26	1.58
5-year A	2.87	2.33	2.63
10-year Aaa	3.57	2.71	3.12
10-year A	4.54	3.91	4.10
25/30-year Aaa	4.97	4.25	4.43
25/30-year A	6.26	5.44	5.48
Revenue Bonds (Revs) (25/30-Year)			
Education AA	5.35	4.66	4.80
Electric AA	5.48	4.68	4.74
Housing AA	6.44	5.51	5.63
Hospital AA	5.71	4.86	5.03
Toll Road Aaa	5.48	4.66	4.81

Federal Reserve Data

BANK RESERVES

(Two-Week Period; in Millions, Not Seasonally Adjusted)

	Recent Levels			Average Levels Over the Last...		
	1/26/11	1/12/11	Change	12 Wks.	26 Wks.	52 Wks.
Excess Reserves	1041051	1009442	31609	997291	997602	1035856
Borrowed Reserves	25101	44575	-19474	43057	49723	68115
Net Free/Borrowed Reserves	1015950	964867	51083	954234	947879	967741

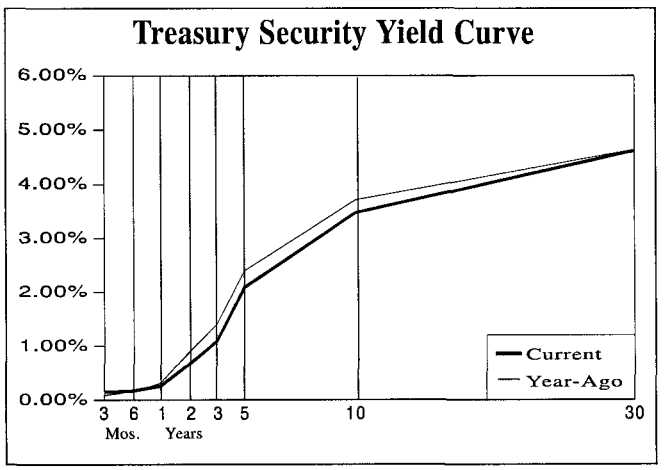
MONEY SUPPLY

(One-Week Period; in Billions, Seasonally Adjusted)

	Recent Levels			Growth Rates Over the Last...		
	1/24/11	1/17/11	Change	3 Mos.	6 Mos.	12 Mos.
M1 (Currency+demand deposits)	1861.4	1852.8	8.6	16.5%	14.7%	10.7%
M2 (M1+savings+small time deposits)	8828.7	8861.9	-33.2	3.2%	4.5%	4.2%

Selected Yields

	Recent (2/02/11)	3 Months Ago (11/03/10)	Year Ago (2/03/10)
TAXABLE			
Market Rates			
Discount Rate	0.75	0.75	0.50
Federal Funds	0.00-0.25	0.00-0.25	0.00-0.25
Prime Rate	3.25	3.25	3.25
30-day CP (A1/P1)	0.25	0.23	0.17
3-month LIBOR	0.31	0.29	0.25
Bank CDs			
6-month	0.30	0.32	0.25
1-year	0.48	0.53	0.45
5-year	1.59	1.57	1.97
U.S. Treasury Securities			
3-month	0.15	0.12	0.09
6-month	0.17	0.15	0.16
1-year	0.26	0.20	0.31
5-year	2.09	1.11	2.40
10-year	3.48	2.57	3.71
10-year (inflation-protected)	1.02	0.42	1.22
30-year	4.62	4.04	4.64
30-year Zero	4.96	4.43	4.87



	Recent (2/02/11)	3 Months Ago (11/03/10)	Year Ago (2/03/10)
Mortgage-Backed Securities			
GNMA 6.5%	3.06	1.23	3.10
FHLMC 6.5% (Gold)	3.45	1.51	2.29
FNMA 6.5%	3.27	1.27	2.25
FNMA ARM	2.66	2.81	2.98
Corporate Bonds			
Financial (10-year) A	4.86	3.99	5.46
Industrial (25/30-year) A	5.63	5.28	5.76
Utility (25/30-year) A	5.78	5.35	5.80
Utility (25/30-year) Baa/BBB	6.18	5.79	6.41
Foreign Bonds (10-Year)			
Canada	3.38	2.87	3.43
Germany	3.26	2.42	3.22
Japan	1.23	0.95	1.36
United Kingdom	3.76	3.15	3.92
Preferred Stocks			
Utility A	5.79	5.77	5.59
Financial A	6.05	6.48	6.69
Financial Adjustable A	5.50	5.50	5.50
TAX-EXEMPT			
Bond Buyer Indexes			
20-Bond Index (GOs)	5.25	3.96	4.39
25-Bond Index (Revs)	5.61	4.67	4.99
General Obligation Bonds (GOs)			
1-year Aaa	0.39	0.32	0.30
1-year A	1.17	1.13	1.24
5-year Aaa	1.90	1.31	1.62
5-year A	2.82	2.26	2.73
10-year Aaa	3.51	2.71	3.21
10-year A	4.50	3.86	4.16
25/30-year Aaa	4.92	4.23	4.46
25/30-year A	6.24	5.41	5.48
Revenue Bonds (Revs) (25/30-Year)			
Education AA	5.33	4.63	4.80
Electric AA	5.48	4.65	4.76
Housing AA	6.41	5.50	5.65
Hospital AA	5.69	4.84	5.03
Toll Road Aaa	5.46	4.64	4.79

Federal Reserve Data

BANK RESERVES

(Two-Week Period; in Millions, Not Seasonally Adjusted)

	Recent Levels			Average Levels Over the Last...		
	1/26/11	1/12/11	Change	12 Wks.	26 Wks.	52 Wks.
Excess Reserves	1041051	1009440	31611	997291	997602	1035856
Borrowed Reserves	25101	44575	-19474	43057	49723	68115
Net Free/Borrowed Reserves	1015950	964865	51085	954233	947879	967741

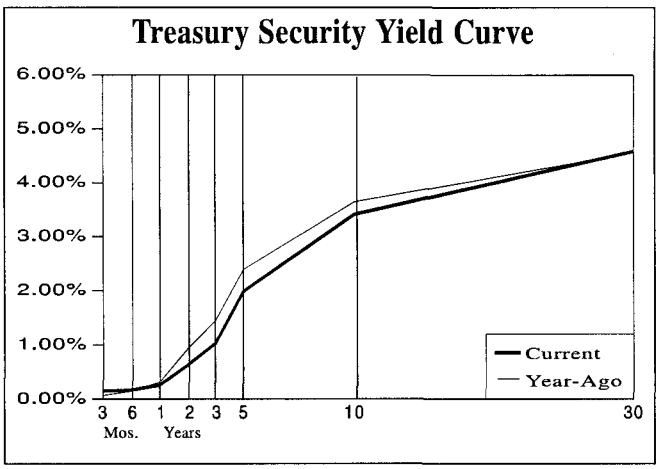
MONEY SUPPLY

(One-Week Period; in Billions, Seasonally Adjusted)

	Recent Levels			Growth Rates Over the Last...		
	1/17/11	1/10/11	Change	3 Mos.	6 Mos.	12 Mos.
M1 (Currency+demand deposits)	1853.2	1822.9	30.3	16.8%	15.1%	10.4%
M2 (M1+savings+small time deposits)	8862.3	8815.7	46.6	5.5%	5.8%	4.8%

Selected Yields

	Recent (1/26/11)	3 Months Ago (10/27/10)	Year Ago (1/27/10)
TAXABLE			
Market Rates			
Discount Rate	0.75	0.75	0.50
Federal Funds	0.00-0.25	0.00-0.25	0.00-0.25
Prime Rate	3.25	3.25	3.25
30-day CP (A1/P1)	0.27	0.23	0.16
3-month LIBOR	0.30	0.29	0.25
Bank CDs			
6-month	0.31	0.32	0.25
1-year	0.49	0.54	0.46
5-year	1.65	1.61	2.00
U.S. Treasury Securities			
3-month	0.15	0.13	0.07
6-month	0.17	0.17	0.15
1-year	0.26	0.22	0.31
5-year	1.99	1.31	2.39
10-year	3.42	2.72	3.65
10-year (inflation-protected)	1.03	0.56	1.24
30-year	4.59	4.06	4.56
30-year Zero	4.93	4.40	4.80
Mortgage-Backed Securities			
GNMA 6.5%	2.90	1.22	3.05
FHLMC 6.5% (Gold)	3.19	1.69	2.24
FNMA 6.5%	3.06	1.53	2.14
FNMA ARM	2.72	2.86	3.24
Corporate Bonds			
Financial (10-year) A	4.73	4.22	5.49
Industrial (25/30-year) A	5.52	5.28	5.69
Utility (25/30-year) A	5.64	5.31	5.72
Utility (25/30-year) Baa/BBB	6.10	5.86	6.32
Foreign Bonds (10-Year)			
Canada	3.31	2.89	3.35
Germany	3.19	2.57	3.20
Japan	1.24	0.96	1.32
United Kingdom	3.69	3.15	3.88
Preferred Stocks			
Utility A	5.79	5.79	5.58
Financial A	6.52	6.05	6.68
Financial Adjustable A	5.50	5.50	5.50



	Recent (1/26/11)	3 Months Ago (10/27/10)	Year Ago (1/27/10)
TAX-EXEMPT			
Bond Buyer Indexes			
20-Bond Index (GOs)	5.41	3.84	4.30
25-Bond Index (Revs)	5.66	4.60	4.91
General Obligation Bonds (GOs)			
1-year Aaa	0.41	0.34	0.30
1-year A	1.28	1.13	1.23
5-year Aaa	1.91	1.28	1.64
5-year A	2.96	2.24	2.73
10-year Aaa	3.60	2.64	3.25
10-year A	4.49	3.77	4.18
25/30-year Aaa	5.06	4.21	4.43
25/30-year A	6.27	5.41	5.43
Revenue Bonds (Revs) (25/30-Year)			
Education AA	5.46	4.63	4.81
Electric AA	5.57	4.65	4.74
Housing AA	6.44	5.52	5.65
Hospital AA	5.75	4.80	5.01
Toll Road Aaa	5.60	4.62	4.86

Federal Reserve Data

BANK RESERVES

(Two-Week Period; in Millions, Not Seasonally Adjusted)

	Recent Levels			Average Levels Over the Last...		
	1/12/11	12/29/10	Change	12 Wks.	26 Wks.	52 Wks.
Excess Reserves	1009440	991199	18241	988725	996847	1034510
Borrowed Reserves	44575	45342	-767	46450	52709	73296
Net Free/Borrowed Reserves	964865	945857	19008	942275	944138	961214

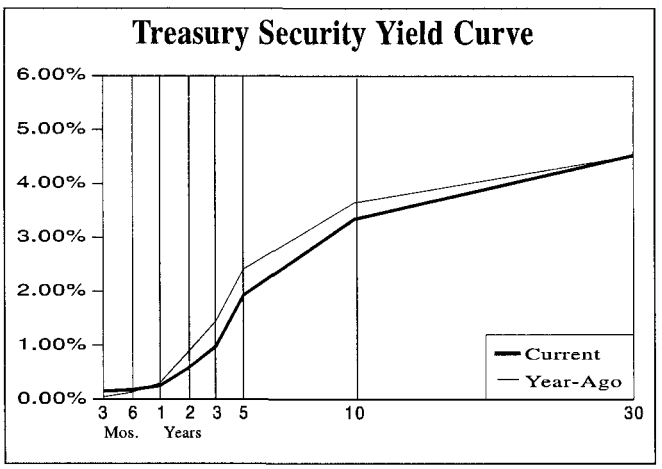
MONEY SUPPLY

(One-Week Period; in Billions, Seasonally Adjusted)

	Recent Levels			Growth Rates Over the Last...		
	1/10/11	1/3/11	Change	3 Mos.	6 Mos.	12 Mos.
M1 (Currency+demand deposits)	1822.9	1832.4	-9.5	5.8%	10.6%	9.2%
M2 (M1+savings+small time deposits)	8815.0	8808.1	6.9	3.6%	5.0%	4.3%

Selected Yields

	Recent (1/19/11)	3 Months Ago (10/20/10)	Year Ago (1/20/10)
TAXABLE			
Market Rates			
Discount Rate	0.75	0.75	0.50
Federal Funds	0.00-0.25	0.00-0.25	0.00-0.25
Prime Rate	3.25	3.25	3.25
30-day CP (A1/P1)	0.27	0.23	0.15
3-month LIBOR	0.30	0.29	0.25
Bank CDs			
6-month	0.30	0.32	0.25
1-year	0.48	0.54	0.47
5-year	1.60	1.61	2.00
U.S. Treasury Securities			
3-month	0.15	0.13	0.05
6-month	0.18	0.17	0.13
1-year	0.25	0.21	0.30
5-year	1.93	1.10	2.41
10-year	3.34	2.48	3.65
10-year (inflation-protected)	0.93	0.42	1.21
30-year	4.53	3.89	4.53
30-year Zero	4.87	4.25	4.76



	Recent (1/19/11)	3 Months Ago (10/20/10)	Year Ago (1/20/10)
Mortgage-Backed Securities			
GNMA 6.5%	2.38	1.29	3.17
FHLMC 6.5% (Gold)	3.03	1.68	2.32
FNMA 6.5%	2.89	1.52	2.28
FNMA ARM	2.72	2.86	3.24
Corporate Bonds			
Financial (10-year) A	4.78	4.09	5.44
Industrial (25/30-year) A	5.57	5.14	5.64
Utility (25/30-year) A	5.72	5.22	5.72
Utility (25/30-year) Baa/BBB	6.15	5.72	6.32
***Foreign Bonds* (10-Year)**			
Canada	3.24	2.75	3.43
Germany	3.11	2.44	3.22
Japan	1.27	0.90	1.34
United Kingdom	3.64	2.99	4.01
Preferred Stocks			
Utility A	5.79	5.79	5.57
Financial A	6.04	6.59	6.61
Financial Adjustable A	5.49	5.49	5.49
TAX-EXEMPT			
Bond Buyer Indexes			
20-Bond Index (GOs)	5.39	3.82	4.31
25-Bond Index (Revs)	5.60	4.57	4.93
General Obligation Bonds (GOs)			
1-year Aaa	0.39	0.33	0.33
1-year A	1.32	1.11	1.26
5-year Aaa	1.90	1.25	1.68
5-year A	3.00	2.22	2.76
10-year Aaa	3.58	2.56	3.29
10-year A	4.54	3.66	4.20
25/30-year Aaa	5.18	4.17	4.44
25/30-year A	6.31	5.41	5.43
Revenue Bonds (Revs) (25/30-Year)			
Education AA	5.56	4.63	4.81
Electric AA	5.57	4.65	4.74
Housing AA	6.42	5.53	5.67
Hospital AA	5.73	4.82	5.04
Toll Road Aaa	5.63	4.62	4.79

Federal Reserve Data

BANK RESERVES

(Two-Week Period; in Millions, Not Seasonally Adjusted)

	Recent Levels			Average Levels Over the Last...		
	1/12/11	12/29/10	Change	12 Wks.	26 Wks.	52 Wks.
Excess Reserves	1009441	991195	18246	988724	996847	1034510
Borrowed Reserves	44575	45342	-767	46450	52709	73296
Net Free/Borrowed Reserves	964866	945853	19013	942274	944138	961214

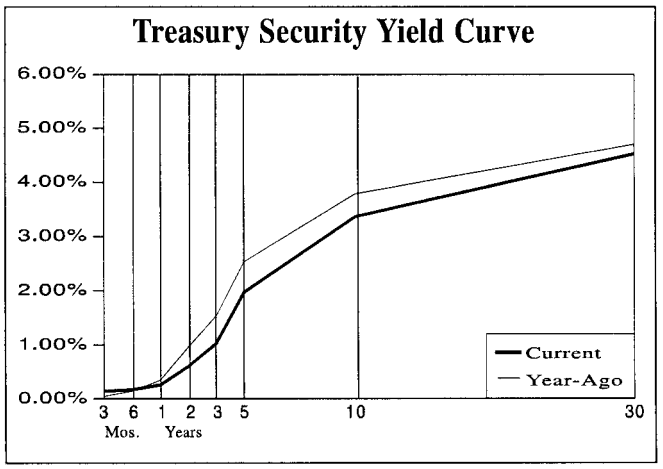
MONEY SUPPLY

(One-Week Period; in Billions, Seasonally Adjusted)

	Recent Levels			Growth Rates Over the Last...		
	1/3/11	12/27/10	Change	3 Mos.	6 Mos.	12 Mos.
M1 (Currency+demand deposits)	1865.1	1859.7	5.4	18.1%	16.9%	9.1%
M2 (M1+savings+small time deposits)	8825.7	8848.8	-23.1	3.4%	5.7%	4.0%

Selected Yields

	Recent (1/12/11)	3 Months Ago (10/13/10)	Year Ago (1/13/10)
TAXABLE			
Market Rates			
Discount Rate	0.75	0.75	0.50
Federal Funds	0.00-0.25	0.00-0.25	0.00-0.25
Prime Rate	3.25	3.25	3.25
30-day CP (A1/P1)	0.27	0.24	0.16
3-month LIBOR	0.30	0.29	0.25
Bank CDs			
6-month	0.30	0.32	0.26
1-year	0.48	0.56	0.47
5-year	1.57	1.66	2.02
U.S. Treasury Securities			
3-month	0.14	0.12	0.05
6-month	0.17	0.16	0.14
1-year	0.26	0.20	0.35
5-year	1.98	1.12	2.54
10-year	3.37	2.42	3.79
10-year (inflation-protected)	0.93	0.36	1.31
30-year	4.53	3.82	4.71
30-year Zero	4.86	4.16	4.95
Mortgage-Backed Securities			
GNMA 6.5%	2.61	1.27	3.63
FHLMC 6.5% (Gold)	3.14	1.74	2.41
FNMA 6.5%	2.99	1.58	2.54
FNMA ARM	2.72	2.86	3.24
Corporate Bonds			
Financial (10-year) A	4.80	3.96	5.65
Industrial (25/30-year) A	5.58	5.01	5.87
Utility (25/30-year) A	5.77	5.02	5.89
Utility (25/30-year) Baa/BBB	6.17	5.56	6.49
Foreign Bonds (10-Year)			
Canada	3.26	2.73	3.60
Germany	3.05	2.28	3.30
Japan	1.18	0.88	1.34
United Kingdom	3.64	2.88	3.96
Preferred Stocks			
Utility A	5.79	5.76	5.57
Financial A	6.03	6.38	5.83
Financial Adjustable A	5.49	5.49	5.49



	Recent (1/12/11)	3 Months Ago (10/13/10)	Year Ago (1/13/10)
TAX-EXEMPT			
Bond Buyer Indexes			
20-Bond Index (GOs)	5.08	3.84	4.31
25-Bond Index (Revs)	5.44	4.58	4.96
General Obligation Bonds (GOs)			
1-year Aaa	0.41	0.34	0.31
1-year A	1.28	1.14	1.27
5-year Aaa	1.79	1.28	1.68
5-year A	2.92	2.22	2.77
10-year Aaa	3.38	2.58	3.28
10-year A	4.38	3.71	4.20
25/30-year Aaa	4.94	4.15	4.47
25/30-year A	5.97	5.40	5.41
Revenue Bonds (Revs) (25/30-Year)			
Education AA	5.31	4.61	4.83
Electric AA	5.30	4.63	4.74
Housing AA	6.13	5.50	5.70
Hospital AA	5.43	4.81	5.04
Toll Road Aaa	5.35	4.60	4.80

Federal Reserve Data

BANK RESERVES

(Two-Week Period; in Millions, Not Seasonally Adjusted)

	Recent Levels			Average Levels Over the Last...		
	12/29/10	12/15/10	Change	12 Wks.	26 Wks.	52 Wks.
Excess Reserves	991195	1024844	-33649	982163	998105	1036378
Borrowed Reserves	45342	45689	-347	47210	54428	77701
Net Free/Borrowed Reserves	945853	979155	-33302	934953	943678	958676

MONEY SUPPLY

(One-Week Period; in Billions, Seasonally Adjusted)

	Recent Levels			Growth Rates Over the Last...		
	12/27/10	12/20/10	Change	3 Mos.	6 Mos.	12 Mos.
M1 (Currency+demand deposits)	1859.7	1823.0	36.7	19.4%	13.7%	9.6%
M2 (M1+savings+small time deposits)	8848.4	8834.4	14.0	5.4%	5.5%	3.7%

GOODMAN WATER COMPANY
DOCKET NO. W-02500A-10-0382
TABLE OF CONTENTS TO SCHEDULES WAR

WEIGHTED AVERAGE COST OF CAPITAL

LINE NO.	DESCRIPTION	(A) DOLLAR AMOUNT	(B) COST RATE	(C) WEIGHTED COST RATE
1	Long-Term Debt	40.00%	6.13%	2.45%
2	Common Equity	60.00%	9.00%	5.40%
3	Total Capitalization	100.00%		
4	**WEIGHTED AVERAGE COST OF CAPITAL**			**7.85%**

REFERENCES:
COLUMN (A): TESTIMONY, WAR
COLUMN (B): LINE 1; SCHEDULE WAR-1, PAGE 2, LINE 2; TESTIMONY WAR
COLUMN (C): COLUMN (A) x COLUMN (B), LINE 4; LINE 1 + LINE 2

SAMPLE COMPANIES APPROXIMATE WEIGHTED COSTS OF DEBT

LINE NO.	STOCK SYMBOL	COMPANY	WEIGHTED COSTS		
1	AWR	AMERICAN STATES WATER CO.	7.07%		
2	CWT	CALIFORNIA WATER SERVICE GROUP	6.24%		
3	WTR	AQUA AMERICA, INC.	5.75%		
4	CTWS	CONNECTICUT WATER SERVICES, INC.	4.95%		
5	MSEX	MIDDLESEX WATER COMPANY	5.56%		
6	SJW	SJW CORP.	6.66%		
7	YORW	YORK WATER COMPANY	6.65%		
8	AVERAGE OF APPROXIMATE WEIGHTED COSTS OF DEBT (a)			6.13%	AVERAGE OF LINES 1 THRU 8
9	**RUCO RECOMMENDED COST OF DEBT**			6.13%	

REFERENCE:
MOST RECENT SEC 10-K FILINGS OR ANNUAL REPORTS

NOTE:
(a) COSTS ARE APPROXIMATE AND DO NOT INCLUDE THE FOLLOWING:
DEBT ISSUES THAT DID NOT HAVE STATED YIELDS; AND
DEBT ISSUES WITH ZERO RATES OF INTEREST.
IN THE CASE OF ISSUES WITH VARIABLE RATES OF INTEREST THE HIGH END OF THE VARIABLE RANGE WAS USED.

GOODMAN WATER COMPANY
TEST YEAR ENDED DECEMBER 31, 2009
COST OF CAPITAL SUMMARY

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SCHEDULE WAR-1
PAGE 3 OF 3

COST OF COMMON EQUITY CALCULATION

LINE NO.			
1	**DCF METHODOLOGY**		
2	DCF - WATER COMPANY SINGLE-STAGE CONSTANT GROWTH MODEL ESTIMATE	9.09%	SCHEDULE WAR-2, COLUMN (C), LINE 5
3	DCF - NATURAL GAS LDC SINGLE-STAGE CONSTANT GROWTH MODEL ESTIMATE	9.31%	SCHEDULE WAR-2, COLUMN (C), LINE 13
4	**AVERAGE OF DCF ESTIMATES**	**9.20%**	(LINE 2 + LINE 3) ÷ 2
5	**CAPM METHODOLOGY**		
6	CAPM - WATER COMPANY GEOMETRIC MEAN ESTIMATE	5.35%	SCHEDULE WAR-7 PAGE 1, COLUMN (B), LINE 5
7	CAPM - NATURAL GAS LDC GEOMETRIC MEAN ESTIMATE	5.10%	SCHEDULE WAR-7 PAGE 1, COLUMN (B), LINE 13
8	CAPM - WATER COMPANY ARITHMETIC MEAN ESTIMATE	6.64%	SCHEDULE WAR-7 PAGE 2, COLUMN (B), LINE 5
9	CAPM - NATURAL GAS LDC ARITHMETIC MEAN ESTIMATE	6.29%	SCHEDULE WAR-7 PAGE 2, COLUMN (B), LINE 13
10	**AVERAGE OF CAPM ESTIMATES**	**5.85%**	(SUM OF LINES 6 THRU 9) ÷ 4
11	**AVERAGE OF DCF AND CAPM ESTIMATES**	**7.52%**	(SUM OF LINES 4 AND 10) ÷ 2
12	**FINAL COST OF COMMON EQUITY ESTIMATE**	**9.00%**	TESTIMONY WAR

GOODMAN WATER COMPANY
TEST YEAR ENDED DECEMBER 31, 2009
DCF COST OF EQUITY CAPITAL

DOCKET NO. W-02500A-10-0382
SCHEDULE WAR - 2

LINE NO.	STOCK SYMBOL	COMPANY	(A) DIVIDEND YIELD	+	(B) GROWTH RATE (g)	=	(C) DCF COST OF EQUITY CAPITAL
1	AWR	AMERICAN STATES WATER CO.	3.07%	+	6.91%	=	9.97%
2	CWT	CALIFORNIA WATER SERVICE GROUP	3.25%	+	6.68%	=	9.94%
3	WTR	AQUA AMERICA, INC.	2.70%	+	4.66%	=	7.35%
4	**WATER COMPANY AVERAGE**						**9.09%**
5	AGL	AGL RESOURCES, INC.	4.90%	+	5.56%	=	10.46%
6	ATO	ATMOS ENERGY CORP.	4.16%	+	4.10%	=	8.26%
7	LG	LACLEDE GROUP, INC.	4.21%	+	4.74%	=	8.96%
8	NJR	NEW JERSEY RESOURCES CORPORATION	3.40%	+	6.51%	=	9.91%
9	NWN	NORTHWEST NATURAL GAS CO.	3.84%	+	4.09%	=	7.93%
10	PNY	PIEDMONT NATURAL GAS COMPANY	3.94%	+	3.76%	=	7.70%
11	SJI	SOUTH JERSEY INDUSTIES, INC.	2.74%	+	11.48%	=	14.22%
12	SWX	SOUTHWEST GAS CORPORATION	2.83%	+	5.51%	=	8.34%
13	WGL	WGL HOLDINGS, INC.	4.10%	+	3.96%	=	8.06%
14	**NATURAL GAS LDC AVERAGE**						**9.31%**

REFERENCES:
COLUMN (A): SCHEDULE WAR - 3, COLUMN C
COLUMN (B): SCHEDULE WAR - 4, PAGE 1, COLUMN C
COLUMN (C): COLUMN (A) + COLUMN (B)

GOODMAN WATER COMPANY
TEST YEAR ENDED DECEMBER 31, 2009
DIVIDEND YIELD CALCULATION

DOCKET NO. W-02500A-10-0382
SCHEDULE WAR - 3

LINE NO.	STOCK SYMBOL	COMPANY	(A) ESTIMATED DIVIDEND (PER SHARE)	/	(B) AVERAGE STOCK PRICE (PER SHARE)	=	(C) DIVIDEND YIELD
1	AWR	AMERICAN STATES WATER CO.	$1.04	/	$33.92	=	3.07%
2	CWT	CALIFORNIA WATER SERVICE GROUP	$1.19	/	$36.56	=	3.25%
3	WTR	AQUA AMERICA, INC.	$0.62	/	$22.99	=	2.70%
4	**WATER COMPANY AVERAGE**						**3.01%**
5	AGL	AGL RESOURCES, INC.	$1.80	/	$36.77	=	4.90%
6	ATO	ATMOS ENERGY CORP.	$1.36	/	$32.67	=	4.16%
7	LG	LACLEDE GROUP, INC.	$1.62	/	$38.44	=	4.21%
8	NJR	NEW JERSEY RESOURCES CORPORATION	$1.44	/	$42.32	=	3.40%
9	NWN	NORTHWEST NATURAL GAS CO.	$1.74	/	$45.26	=	3.84%
10	PNY	PIEDMONT NATURAL GAS COMPANY	$1.12	/	$28.41	=	3.94%
11	SJI	SOUTH JERSEY INDUSTIES, INC.	$1.46	/	$53.22	=	2.74%
12	SWX	SOUTHWEST GAS CORPORATION	$1.06	/	$37.42	=	2.83%
13	WGL	WGL HOLDINGS, INC.	$1.51	/	$36.88	=	4.10%
14	**NATURAL GAS LDC AVERAGE**						**3.79%**

REFERENCES:
COLUMN (A): ESTIMATED 12 MONTH DIVIDEND REPORTED IN VALUE LINE INVESTMENT SURVEY - RATINGS & REPORTS DATED 01/21/2011 (WATER COMPANIES) AND 03/11/2011 (NATURAL GAS LDC's).
COLUMN (B): EIGHT WEEK AVERAGE OF ADJUSTED CLOSING PRICES FROM 01/03/2011 TO 02/25/2011
STOCK QUOTES OBTAINED THROUGH YAHOO! FINANCE WEB SITE - HISTORICAL QUOTES (http://finance.yahoo.com).
COLUMN (C): COLUMN (A) DIVIDED BY COLUMN (B)

NOTE:
CLOSING STOCK PRICES ARE ADJUSTED FOR DIVIDENDS AND STOCK SPLITS.

GOODMAN WATER COMPANY
TEST YEAR ENDED DECEMBER 31, 2009
DIVIDEND GROWTH RATE CALCULATION

DOCKET NO. W-02500A-10-0382
SCHEDULE WAR - 4

LINE NO.	STOCK SYMBOL	COMPANY	(A) INTERNAL GROWTH (br)	+	(B) EXTERNAL GROWTH (sv)	=	(C) DIVIDEND GROWTH (g)
1	AWR	AMERICAN STATES WATER CO.	6.50%	+	0.41%	=	6.91%
2	CWT	CALIFORNIA WATER SERVICE GROUP	5.75%	+	0.93%	=	6.68%
3	WTR	AQUA AMERICA, INC.	4.00%	+	0.66%	=	4.66%
4	**WATER COMPANY AVERAGE**						**6.08%**
5	AGL	AGL RESOURCES, INC.	5.50%	+	0.06%	=	5.56%
6	ATO	ATMOS ENERGY CORP.	3.75%	+	0.35%	=	4.10%
7	LG	LACLEDE GROUP, INC.	4.00%	+	0.74%	=	4.74%
8	NJR	NEW JERSEY RESOURCES CORPORATION	6.50%	+	0.01%	=	6.51%
9	NWN	NORTHWEST NATURAL GAS CO.	4.00%	+	0.09%	=	4.09%
10	PNY	PIEDMONT NATURAL GAS COMPANY	3.75%	+	0.01%	=	3.76%
11	SJI	SOUTH JERSEY INDUSTIES, INC.	8.50%	+	2.98%	=	11.48%
12	SWX	SOUTHWEST GAS CORPORATION	5.00%	+	0.51%	=	5.51%
13	WGL	WGL HOLDINGS, INC.	3.75%	+	0.21%	=	3.96%
14	**NATURAL GAS LDC AVERAGE**						**5.52%**

REFERENCES:
COLUMN (A): TESTIMONY, WAR
COLUMN (B): SCHEDULE WAR - 4, PAGE 2, COLUMN C
COLUMN (C): COLUMN (A) + COLUMN (B)

GOODMAN WATER COMPANY
TEST YEAR ENDED DECEMBER 31, 2009
DIVIDEND GROWTH RATE CALCULATION

DOCKET NO. W-02500A-10-0382
SCHEDULE WAR - 4
PAGE 2 OF 2

LINE NO.	STOCK SYMBOL	COMPANY	(A) SHARE GROWTH		(B)		(C) EXTERNAL GROWTH (sv)
1	AWR	AMERICAN STATES WATER CO.	1.25%	x	{ [((M÷B) + 1) / 2] - 1 } =	1.65	0.41%
2	CWT	CALIFORNIA WATER SERVICE GROUP	2.50%	x	{ [((M÷B) + 1) / 2] - 1 } =	1.75	0.93%
3	WTR	AQUA AMERICA, INC.	0.75%	x	{ [((M÷B) + 1) / 2] - 1 } =	2.75	0.66%
4	**WATER COMPANY AVERAGE**						**0.67%**
5	AGL	AGL RESOURCES, INC.	0.25%	x	{ [((M÷B) + 1) / 2] - 1 } =	1.49	0.06%
6	ATO	ATMOS ENERGY CORP.	2.75%	x	{ [((M÷B) + 1) / 2] - 1 } =	1.25	0.35%
7	LG	LACLEDE GROUP, INC.	2.75%	x	{ [((M÷B) + 1) / 2] - 1 } =	1.54	0.74%
8	NJR	NEW JERSEY RESOURCES CORPORATION	0.01%	x	{ [((M÷B) + 1) / 2] - 1 } =	2.28	0.01%
10	NWN	NORTHWEST NATURAL GAS CO.	0.25%	x	{ [((M÷B) + 1) / 2] - 1 } =	1.68	0.09%
11	PNY	PIEDMONT NATURAL GAS COMPANY	0.01%	x	{ [((M÷B) + 1) / 2] - 1 } =	2.09	0.01%
12	SJI	SOUTH JERSEY INDUSTIES, INC.	3.50%	x	{ [((M÷B) + 1) / 2] - 1 } =	2.70	2.98%
13	SWX	SOUTHWEST GAS CORPORATION	2.25%	x	{ [((M÷B) + 1) / 2] - 1 } =	1.45	0.51%
14	WGL	WGL HOLDINGS, INC.	0.75%	x	{ [((M÷B) + 1) / 2] - 1 } =	1.57	0.21%
15	**NATURAL GAS LDC AVERAGE**						**0.55%**

REFERENCES:
COLUMN (A): TESTIMONY, WAR
COLUMN (B): VALUE LINE INVESTMENT SURVEY
- RATINGS & REPORTS DATED 01/21/2011 (WATER COMPANIES) AND 03/11/2011 (NATURAL GAS LDC's)
COLUMN (C): COLUMN (A) x COLUMN (B)

GOODMAN WATER COMPANY
TEST YEAR ENDED DECEMBER 31, 2009
DIVIDEND GROWTH COMPONENTS

DOCKET NO. W-02500A-10-0382
SCHEDULE WAR - 5

LINE NO.	STOCK SYMBOL	WATER COMPANY NAME	OPERATING PERIOD	(A) RETENTION RATIO (b)	x	(B) RETURN ON BOOK EQUITY (r)	=	(C) DIVIDEND GROWTH (g)	(D) BOOK VALUE ($/SHARE)	(E) SHARES OUTST. (MILLIONS)	(F) SHARE GROWTH
1	AWR	AMERICAN STATES WATER CO.	2005	0.3182		8.50%		2.70%	15.72	16.80	
2			2006	0.3158		8.10%		2.56%	16.64	17.05	
3			2007	0.4074		9.30%		3.79%	17.53	17.23	
4			2008	0.3548		8.60%		3.05%	17.95	17.30	
5			2009	0.3765		8.20%		3.09%	19.39	18.53	
6			GROWTH 2005 - 2009					3.04%	5.00%		2.48%
7			2010	0.5536		11.50%		6.37%		18.75	1.19%
8			2011	0.5592		11.50%		6.43%		19.00	1.26%
9			2013-15	0.5407		12.00%		6.49%	3.50%	20.00	1.54%
10											
11	CWT	CALIFORNIA WATER SERVICE GROUP	2005	0.2245		9.30%		2.09%	15.79	18.39	
12			2006	0.1418		6.80%		0.96%	18.15	20.66	
13			2007	0.2267		8.10%		1.84%	18.50	20.67	
14			2008	0.3842		9.90%		3.80%	19.44	20.72	
15			2009	0.3949		9.60%		3.79%	20.26	20.77	
16			GROWTH 2005 - 2009					2.50%	6.00%		3.09%
17			2010	0.3834		9.00%		3.45%		21.00	1.11%
18			2011	0.4545		10.00%		4.55%		22.00	2.92%
19			2013-15	0.5358		11.00%		5.89%	4.00%	23.50	2.50%
20											
21	WTR	AQUA AMERICA, INC.	2005	0.4366		11.20%		4.89%	6.30	128.97	
22			2006	0.3714		10.00%		3.71%	6.96	132.33	
23			2007	0.3239		9.70%		3.14%	7.32	133.40	
24			2008	0.3014		9.30%		2.80%	7.82	135.37	
25			2009	0.2857		9.40%		2.69%	8.12	136.49	
26			GROWTH 2005 - 2009					3.45%	8.50%		1.43%
27			2010	0.3444		11.00%		3.79%		137.60	0.81%
28			2011	0.3505		11.00%		3.86%		138.10	0.59%
29			2013-15	0.3478		12.00%		4.17%	4.00%	139.60	0.45%

REFERENCES:
COLUMNS (A) & (B): VALUE LINE INVESTMENT SURVEY
- RATINGS & REPORTS DATED 01/21/2011
COLUMN (C): COLUMN (A) x COLUMN (B)
COLUMN (C): LINES 6, 16 & 26, SIMPLE AVERAGE GROWTH, 2005 - 2009

COLUMN (D): VALUE LINE INVESTMENT SURVEY
COLUMN (D): LINES 6, 16 & 26, COMPOUND GROWTH RATE
COLUMN (E): VALUE LINE INVESTMENT SURVEY
COLUMN (F): COMPOUND GROWTH RATES OF DATES SHOWN

GOODMAN WATER COMPANY
TEST YEAR ENDED DECEMBER 31, 2009
DIVIDEND GROWTH COMPONENTS

DOCKET NO. W-02500A-10-0382
SCHEDULE WAR - 5
PAGE 2 OF 4

LINE NO.	STOCK SYMBOL	NATURAL GAS LDC NAME	OPERATING PERIOD	(A) RETENTION RATIO (b)	x	(B) RETURN ON BOOK EQUITY (r)	=	(C) DIVIDEND GROWTH (g)	(D) BOOK VALUE ($/SHARE)	(E) SHARES OUTST. (MILLIONS)	(F) SHARE GROWTH
1	AGL	AGL RESOURCES, INC.	2006	0.4559		13.20%		6.02%	20.71	77.70	
2			2007	0.3971		12.70%		5.04%	21.74	76.40	
3			2008	0.3801		12.60%		4.79%	21.48	76.90	
4			2009	0.4028		12.50%		5.03%	22.95	77.54	
5			2010	0.4133		12.90%		5.33%	23.24	78.00	
6			GROWTH 2006 - 2010					5.24%	5.50%		0.10%
7			2011	0.4286		12.50%		5.36%		78.20	0.26%
8			2012	0.4424		12.50%		5.53%		78.40	0.26%
9			2014-16	0.4773		12.50%		5.97%	5.50%	79.00	0.26%
10											
11	ATO	ATMOS ENERGY CORP.	2006	0.3700		9.80%		3.63%	20.16	81.74	
12			2007	0.3402		8.70%		2.96%	22.01	89.33	
13			2008	0.3500		8.80%		3.08%	22.60	90.81	
14			2009	0.3299		8.30%		2.74%	23.52	92.55	
15			2010	0.3796		9.20%		3.49%	24.16	90.16	
16			GROWTH 2006 - 2010					3.18%	5.00%		2.48%
17			2011	0.4087		9.00%		3.68%		91.00	0.93%
18			2012	0.4250		8.50%		3.61%		92.00	1.02%
19			2014-16	0.4630		9.00%		4.17%	4.50%	105.00	3.09%
20											
21	LG	LACLEDE GROUP, INC.	2006	0.4093		12.50%		5.12%	18.85	21.36	
22			2007	0.3723		11.60%		4.32%	19.79	21.65	
23			2008	0.4356		11.80%		5.14%	22.12	21.99	
24			2009	0.4760		12.40%		5.90%	23.32	22.17	
25			2010	0.3539		10.10%		3.57%	24.02	22.29	
26			GROWTH 2006 - 2010					4.81%	7.00%		1.07%
27			2011	0.3686		10.50%		3.87%		22.50	0.94%
28			2012	0.3774		10.50%		3.96%		23.00	1.58%
29			2014-16	0.4286		10.00%		4.29%	5.00%	26.00	3.13%
30											
31	NJR	NEW JERSEY RESOURCES CORPORATION	2006	0.4866		12.60%		6.13%	15.00	41.44	
32			2007	0.3484		10.10%		3.52%	15.50	41.61	
33			2008	0.5889		15.70%		9.25%	17.28	42.06	
34			2009	0.4833		14.60%		7.06%	16.59	41.59	
35			2010	0.4472		14.10%		6.30%	17.53	41.36	
36			GROWTH 2006 - 2010					6.45%	10.00%		-0.05%
37			2011	0.4566		14.50%		6.62%		41.00	-0.87%
38			2012	0.4807		15.00%		7.21%		40.00	-1.66%
39			2014-16	0.4921		13.50%		6.64%	5.50%	40.00	-0.67%

REFERENCES:
COLUMNS (A) & (B): VALUE LINE INVESTMENT SURVEY
- RATINGS & REPORTS DATED 03/11/2011
COLUMN (C): COLUMN (A) x COLUMN (B)
COLUMN (C): LINES 6, 16, 26 & 36, SIMPLE AVERAGE GROWTH, 2006 - 2010

COLUMN (D): VALUE LINE INVESTMENT SURVEY
COLUMN (D): LINES 6, 16, 26 & 36, COMPOUND GROWTH RATE
COLUMN (E): VALUE LINE INVESTMENT SURVEY
COLUMN (F): COMPOUND GROWTH RATES OF DATES SHOWN

GOODMAN WATER COMPANY
TEST YEAR ENDED DECEMBER 31, 2009
DIVIDEND GROWTH COMPONENTS

DOCKET NO. W-02500A-10-0382
SCHEDULE WAR - 5
PAGE 3 OF 4

LINE NO.	STOCK SYMBOL	NATURAL GAS LDC NAME	OPERATING PERIOD	(A) RETENTION RATIO (b)	x	(B) RETURN ON BOOK EQUITY (r)	=	(C) DIVIDEND GROWTH (g)	(D) BOOK VALUE ($/SHARE)	(E) SHARES OUTST. (MILLIONS)	(F) SHARE GROWTH
1	NWN	NORTHWEST NATURAL GAS CO.	2006	0.4085		10.90%		4.45%	22.01	27.24	
2			2007	0.4783		12.50%		5.98%	22.52	26.41	
3			2008	0.4086		10.90%		4.45%	23.71	26.50	
4			2009	0.4346		11.40%		4.95%	24.88	26.53	
5			2010	0.3846		10.50%		4.04%	25.95	26.67	
6			GROWTH 2006 - 2010					4.78%	4.00%		-0.53%
7			2011	0.3857		10.50%		4.05%		26.75	0.30%
8			2012	0.3931		10.50%		4.13%		26.80	0.24%
9			2014-16	0.4125		10.00%		4.13%	4.00%	26.95	0.21%
10											
11	PNY	PIEDMONT NATURAL GAS COMPANY	2006	0.2578		11.00%		2.84%	11.83	74.61	
12			2007	0.2929		11.90%		3.49%	11.99	73.23	
13			2008	0.3087		12.40%		3.83%	12.11	73.26	
14			2009	0.3593		13.20%		4.74%	12.67	73.27	
15			2010	0.2839		11.60%		3.29%	13.35	72.28	
16			GROWTH 2006 - 2010					3.64%	3.50%		-0.79%
17			2011	0.2813		12.00%		3.38%		71.50	-1.08%
18			2012	0.3000		12.00%		3.60%		71.00	-0.89%
19			2014-16	0.3105		12.50%		3.88%	3.00%	69.00	-0.92%
20											
21	SJI	SOUTH JERSEY INDUSTIES, INC.	2006	0.6260		16.30%		10.20%	15.11	29.33	
22			2007	0.5167		12.80%		6.61%	16.25	29.61	
23			2008	0.5110		13.10%		6.69%	17.33	29.73	
24			2009	0.4874		13.10%		6.38%	18.27	29.80	
25			2010	0.4963		14.20%		7.05%	19.08	29.87	
26			GROWTH 2006 - 2010					7.39%	9.00%		0.46%
27			2011	0.4983		15.00%		7.47%		31.00	3.78%
28			2012	0.5077		16.50%		8.38%		32.00	3.50%
29			2014-16	0.5122		17.50%		8.96%	4.50%	34.00	2.62%
30											
31	SWX	SOUTHWEST GAS CORPORATION	2006	0.5859		8.90%		5.21%	21.58	41.77	
32			2007	0.5590		8.50%		4.75%	22.98	42.81	
33			2008	0.3525		5.90%		2.08%	23.49	44.19	
34			2009	0.5103		7.90%		4.03%	24.44	45.09	
35			2010	0.5595		8.90%		4.98%	25.59	45.60	
36			GROWTH 2006 - 2010					4.21%	5.00%		2.22%
37			2011	0.5435		9.00%		4.89%		46.50	1.97%
38			2012	0.5510		9.00%		4.96%		48.00	2.60%
39			2014-16	0.5690		9.00%		5.12%	4.50%	50.00	1.86%

REFERENCES:
COLUMNS (A) & (B): VALUE LINE INVESTMENT SURVEY
- RATINGS & REPORTS DATED 03/11/2011
COLUMN (C): COLUMN (A) x COLUMN (B)
COLUMN (C): LINES 6, 16, 26 & 36, SIMPLE AVERAGE GROWTH, 2006 - 2010

COLUMN (D): VALUE LINE INVESTMENT SURVEY
COLUMN (D): LINES 6, 16, 26 & 36, COMPOUND GROWTH RATE
COLUMN (E): VALUE LINE INVESTMENT SURVEY
COLUMN (F): COMPOUND GROWTH RATES OF DATES SHOWN

GOODMAN WATER COMPANY
TEST YEAR ENDED DECEMBER 31, 2009
DIVIDEND GROWTH COMPONENTS

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SCHEDULE WAR - 5
PAGE 4 OF 4

LINE NO.	STOCK SYMBOL	NATURAL GAS LDC NAME	OPERATING PERIOD	(A) RETENTION RATIO (b)	x	(B) RETURN ON BOOK EQUITY (r)	=	(C) DIVIDEND GROWTH (g)	(D) BOOK VALUE ($/SHARE)	(E) SHARES OUTST. (MILLIONS)	(F) SHARE GROWTH
1	WGL	WGL HOLDINGS, INC.	2006	0.3041		10.30%		3.13%	18.86	48.89	
2			2007	0.3445		10.30%		3.55%	19.83	49.45	
3			2008	0.4221		11.60%		4.90%	20.99	49.92	
4			2009	0.4190		11.60%		4.86%	21.89	50.14	
5			2010	0.3392		9.90%		3.36%	22.82	50.54	
6			GROWTH 2006 - 2010					3.96%	5.00%		0.83%
7			2011	0.2714		9.00%		2.44%		51.00	0.91%
8			2012	0.3319		9.50%		3.15%		51.00	0.45%
9			2014-16	0.3778		10.00%		3.78%	4.00%	52.00	0.57%

REFERENCES:
COLUMNS (A) & (B): VALUE LINE INVESTMENT SURVEY
- RATINGS & REPORTS DATED 03/11/2011
COLUMN (C): COLUMN (A) x COLUMN (B)
COLUMN (C): LINE 6, SIMPLE AVERAGE GROWTH, 2006 - 2010

COLUMN (D): VALUE LINE INVESTMENT SURVEY
COLUMN (D): LINE 6, COMPOUND GROWTH RATE
COLUMN (E): VALUE LINE INVESTMENT SURVEY
COLUMN (F): COMPOUND GROWTH RATES OF DATES SHOWN

GOODMAN WATER COMPANY
TEST YEAR ENDED DECEMBER 31, 2009
GROWTH RATE COMPARISON

DOCKET NO. W-02500A-10-0382
SCHEDULE WAR - 6

WATER COMPANY SAMPLE:

LINE NO.	STOCK SYMBOL	(A) (br) + (sv)	(B) ZACKS EPS	(C) VALUE LINE PROJECTED EPS	(C) VALUE LINE PROJECTED DPS	(C) VALUE LINE PROJECTED BVPS	(D) VALUE LINE HISTORIC EPS	(D) VALUE LINE HISTORIC DPS	(D) VALUE LINE HISTORIC BVPS	(E) VALUE LINE & ZACKS AVGS. EPS	(F) 5 - YEAR COMPOUND HISTORY DPS	(F) 5 - YEAR COMPOUND HISTORY BVPS
1	AWR	6.91%	7.50%	9.00%	4.00%	3.50%	8.50%	2.50%	5.00%	5.71%	2.92%	5.39%
2	CWT	6.68%	4.00%	4.75%	1.00%	3.50%	6.50%	1.00%	6.00%	3.82%	0.87%	6.43%
3	WTR	4.66%	6.50%	7.50%	6.50%	4.00%	5.00%	8.00%	8.50%	6.57%	8.29%	6.55%
4				7.08%	3.83%	3.67%	6.67%	3.83%	6.50%	4.87%	4.03%	6.12%
5	AVERAGES	6.08%	6.00%		4.86%			5.67%		5.37%	5.01%	

NATURAL GAS LDC SAMPLE:

LINE NO.	STOCK SYMBOL	(A) (br) + (sv)	(B) ZACKS EPS	(C) VALUE LINE PROJECTED EPS	(C) VALUE LINE PROJECTED DPS	(C) VALUE LINE PROJECTED BVPS	(D) VALUE LINE HISTORIC EPS	(D) VALUE LINE HISTORIC DPS	(D) VALUE LINE HISTORIC BVPS	(E) VALUE LINE & ZACKS AVGS. EPS	(F) 5 - YEAR COMPOUND HISTORY DPS	(F) 5 - YEAR COMPOUND HISTORY BVPS
1	AGL	5.56%	4.00%	4.50%	2.00%	5.50%	4.50%	7.50%	5.50%	4.79%	4.43%	2.92%
2	ATO	4.10%	4.50%	5.00%	2.00%	4.50%	4.00%	1.50%	5.00%	3.79%	1.55%	4.63%
3	LG	4.74%	3.00%	3.00%	2.50%	5.00%	7.50%	2.50%	7.00%	4.36%	2.91%	6.25%
4	NJR	6.51%	4.00%	4.00%	4.50%	5.50%	8.50%	7.50%	10.00%	6.29%	9.10%	3.97%
5	NWN	4.09%	4.40%	3.00%	4.00%	4.00%	9.50%	3.50%	4.00%	4.63%	4.85%	4.20%
6	PNY	3.76%	4.50%	3.50%	3.50%	3.00%	5.00%	4.50%	3.50%	3.93%	3.97%	3.07%
7	SJI	11.48%	6.50%	9.00%	8.50%	4.50%	10.00%	7.50%	9.00%	7.86%	10.27%	6.01%
8	SWX	5.51%	6.00%	7.50%	4.50%	4.50%	6.00%	2.00%	5.00%	5.07%	5.09%	4.35%
9	WGL	3.96%	5.30%	1.50%	2.50%	4.00%	2.50%	2.50%	5.00%	3.33%	2.67%	4.88%
10				4.56%	3.78%	4.50%	6.39%	4.33%	6.00%	3.41%	4.98%	4.48%
11	AVERAGES	5.52%	4.69%		4.28%			5.57%		4.89%	4.29%	

REFERENCES:
COLUMN (A): SCHEDULE WAR - 4, PAGE 1, COLUMN C
COLUMN (B): ZACKS INVESTMENT RESEARCH (www.zacks.com)
COLUMN (C): VALUE LINE INVESTMENT SURVEY - RATINGS & REPORTS DATED 01/21/2011 (WATER COMPANIES) AND 03/11/2011 (NATURAL GAS LDC's)
COLUMN (D): VALUE LINE INVESTMENT SURVEY - RATINGS & REPORTS DATED 01/21/2011 (WATER COMPANIES) AND 03/11/2011 (NATURAL GAS LDC's)
COLUMN (E): SIMPLE AVERAGE OF COLUMNS (B) THRU (D) LINES 1 THRU 3 (WATER) AND 1 THRU 9 (NATURAL GAS)
COLUMN (F): 5-YEAR ANNUAL GROWTH RATE CALCULATED WITH DATA COMPILED FROM VALUE LINE INVESTMENT SURVEY
- RATINGS & REPORTS DATED 01/21/2011 (WATER COMPANIES) AND 03/11/2011 (NATURAL GAS LDC's)

GOODMAN WATER COMPANY
TEST YEAR ENDED DECEMBER 31, 2009
CAPM COST OF EQUITY CAPITAL

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SCHEDULE WAR - 7
PAGE 1 OF 2

BASED ON A GEOMETRIC MEAN:

LINE NO.	STOCK SYMBOL	k	=	r_f	+ [	(A) ß	x	(	r_m	-	r_f	)]	=	(B) EXPECTED RETURN
1	AWR	k	=	2.13%	+ [	0.80	x	(	9.80%	-	5.30%	)]	=	5.73%
2	CWT	k	=	2.13%	+ [	0.70	x	(	9.80%	-	5.30%	)]	=	5.28%
3	WTR	k	=	2.13%	+ [	0.65	x	(	9.80%	-	5.30%	)]	=	5.05%
4	**WATER COMPANY AVERAGE**					0.72								**5.35%**
5	AGL	k	=	2.13%	+ [	0.75	x	(	9.80%	-	5.30%	)]	=	5.50%
6	ATO	k	=	2.13%	+ [	0.65	x	(	9.80%	-	5.30%	)]	=	5.05%
7	LG	k	=	2.13%	+ [	0.60	x	(	9.80%	-	5.30%	)]	=	4.83%
8	NJR	k	=	2.13%	+ [	0.65	x	(	9.80%	-	5.30%	)]	=	5.05%
9	NWN	k	=	2.13%	+ [	0.60	x	(	9.80%	-	5.30%	)]	=	4.83%
10	PNY	k	=	2.13%	+ [	0.65	x	(	9.80%	-	5.30%	)]	=	5.05%
11	SJI	k	=	2.13%	+ [	0.65	x	(	9.80%	-	5.30%	)]	=	5.05%
12	SWX	k	=	2.13%	+ [	0.75	x	(	9.80%	-	5.30%	)]	=	5.50%
14	WGL	k	=	2.13%	+ [	0.65	x	(	9.80%	-	5.30%	)]	=	5.05%
15	**NATURAL GAS LDC AVERAGE**					0.66								**5.10%**

REFERENCES:
COLUMN (A): SHARPE LITNER CAPITAL ASSET PRICING MODEL ("CAPM") FORMULA

$$k = r_f + [\, ß\, (r_m - r_f)\,]$$

WHERE: k = THE EXPECTED RETURN ON A GIVEN SECURITY
r_f = RATE OF RETURN ON A RISK FREE ASSET PROXY (a)
ß = THE BETA COEFFICIENT OF A GIVEN SECURITY
r_m = PROXY FOR THE MARKET RATE OF RETURN (b)

COLUMN (B): EXPECTED RATE OF RETURN USING THE CAPM FORMULA

NOTES

(a) AN 8-WEEK AVERAGE OF THE YIELD ON A 5-YEAR U.S. TREASURY INSTRUMENT THAT APPEARED IN VALUE LINE INVESTMENT SURVEY'S "SELECTION & OPINIONS" PUBLICATION FROM 01/21/2011 THROUGH 03/11/2011 WAS USED AS A RISK FREE RATE OF RETURN.

(b) THE RISK PREMIUM (RM - RF) USED THE GEOMETRIC MEAN FOR S&P 500 TOTAL RETURNS OVER THE 1926 - 2009 PERIOD MINUS TOTAL RETURNS ON INTERMEDIATE TREASURIES DURING THE SAME PER THE DATA WAS OBTAINED FROM MORNINGSTAR'S *STOCKS, BONDS, BILLS AND INFLATION: 2010 YEARBOOK.*

GOODMAN WATER COMPANY
TEST YEAR ENDED DECEMBER 31, 2009
CAPM COST OF EQUITY CAPITAL

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SCHEDULE WAR - 7
PAGE 2 OF 2

BASED ON AN ARITHMETIC MEAN:

LINE NO.	STOCK SYMBOL	k	=	r_f	+ [	ß	x (	r_m	-	r_f	)] =	(A) (B) EXPECTED RETURN
1	AWR	k	=	2.13%	+ [	0.80	x (	11.80%	-	5.50%	)] =	7.17%
2	CWT	k	=	2.13%	+ [	0.70	x (	11.80%	-	5.50%	)] =	6.54%
3	WTR	k	=	2.13%	+ [	0.65	x (	11.80%	-	5.50%	)] =	6.22%
4	**WATER COMPANY AVERAGE**					0.72						**6.64%**
5	AGL	k	=	2.13%	+ [	0.75	x (	11.80%	-	5.50%	)] =	6.85%
6	ATO	k	=	2.13%	+ [	0.65	x (	11.80%	-	5.50%	)] =	6.22%
7	LG	k	=	2.13%	+ [	0.60	x (	11.80%	-	5.50%	)] =	5.91%
9	NJR	k	=	2.13%	+ [	0.65	x (	11.80%	-	5.50%	)] =	6.22%
10	NWN	k	=	2.13%	+ [	0.60	x (	11.80%	-	5.50%	)] =	5.91%
11	PNY	k	=	2.13%	+ [	0.65	x (	11.80%	-	5.50%	)] =	6.22%
12	SJI	k	=	2.13%	+ [	0.65	x (	11.80%	-	5.50%	)] =	6.22%
13	SWX	k	=	2.13%	+ [	0.75	x (	11.80%	-	5.50%	)] =	6.85%
14	WGL	k	=	2.13%	+ [	0.65	x (	11.80%	-	5.50%	)] =	6.22%
15	**NATURAL GAS LDC AVERAGE**					0.66						**6.29%**

REFERENCES:
COLUMN (A): SHARPE LITNER CAPITAL ASSET PRICING MODEL ("CAPM") FORMULA

$$k = r_f + [ß (r_m - r_f)]$$

WHERE: k = THE EXPECTED RETURN ON A GIVEN SECURITY
r_f = RATE OF RETURN ON A RISK FREE ASSET PROXY (a)
ß = THE BETA COEFFICIENT OF A GIVEN SECURITY
r_m = PROXY FOR THE MARKET RATE OF RETURN (b)

COLUMN (B): EXPECTED RATE OF RETURN USING THE CAPM FORMULA

NOTES

(a) AN 8-WEEK AVERAGE OF THE YIELD ON A 5-YEAR U.S. TREASURY INSTRUMENT THAT APPEARED IN VALUE LINE INVESTMENT SURVEY'S "SELECTION & OPINIONS" PUBLICATION FROM 01/21/2011 THROUGH 03/11/2011 WAS USED AS A RISK FREE RATE OF RETURN.

(b) THE RISK PREMIUM (RM - RF) USED THE ARITHMETIC MEAN FOR S&P 500 TOTAL RETURNS OVER THE 1926 - 2009 PERIOD MINUS TOTAL RETURNS ON INTERMEDIATE TREASURIES DURING THE SAM THE DATA WAS OBTAINED FROM MORNINGSTAR'S STOCKS, BONDS, BILLS AND INFLATION: 2010 YEARBOC

GOODMAN WATER COMPANY
TEST YEAR ENDED DECEMBER 31, 2009
ECONOMIC INDICATORS - 1990 TO PRESENT

DOCKET NO. W-02500A-10-0382
SCHEDULE WAR - 8

LINE NO.	YEAR	(A) CHANGE IN CPI	(B) CHANGE IN GDP (1996 $)	(C) PRIME RATE	(D) FED. DISC. RATE	(E) FED. FUNDS RATE	(F) 91-DAY T-BILLS	(G) 30-YR T-BONDS	(H) A-RATED UTIL. BOND YIELD	(I) Baa-RATED UTIL. BOND YIELD
1	1990	5.39%	1.90%	10.01%	6.98%	8.10%	7.50%	7.49%	9.86%	10.06%
2	1991	4.25%	-0.20%	8.46%	5.45%	5.69%	5.38%	5.38%	9.36%	9.55%
3	1992	3.03%	3.30%	6.25%	3.25%	3.52%	3.43%	3.43%	8.69%	8.86%
4	1993	2.96%	2.70%	6.00%	3.00%	3.02%	3.00%	3.00%	7.59%	7.91%
5	1994	2.61%	4.00%	7.14%	3.60%	4.21%	4.25%	4.25%	8.31%	8.63%
6	1995	2.81%	2.50%	8.83%	5.21%	5.83%	5.49%	5.49%	7.89%	8.29%
7	1996	2.93%	3.70%	8.27%	5.02%	5.30%	5.01%	5.01%	7.75%	8.17%
8	1997	2.34%	4.50%	8.44%	5.00%	5.46%	5.06%	5.06%	7.60%	8.12%
9	1998	1.55%	4.20%	8.35%	4.92%	5.35%	4.78%	4.78%	7.04%	7.27%
10	1999	2.19%	4.50%	7.99%	4.62%	4.97%	4.64%	4.64%	7.62%	7.88%
11	2000	3.38%	3.70%	9.23%	5.73%	6.24%	5.82%	5.82%	8.24%	8.36%
12	2001	2.83%	0.80%	6.92%	3.41%	3.88%	3.40%	5.95%	7.59%	8.02%
13	2002	1.59%	1.60%	4.67%	1.17%	1.67%	1.61%	5.38%	7.41%	7.98%
14	2003	2.27%	2.50%	4.12%	2.03%	1.13%	1.01%	4.92%	6.18%	6.64%
15	2004	2.68%	3.60%	4.34%	2.34%	1.35%	1.37%	5.03%	5.77%	6.20%
16	2005	3.39%	2.90%	6.16%	4.19%	3.22%	3.15%	4.57%	5.38%	5.78%
17	2006	3.24%	2.80%	7.97%	5.96%	4.97%	4.73%	4.91%	5.94%	6.30%
18	2007	2.85%	2.90%	8.05%	5.86%	5.02%	4.36%	4.84%	6.07%	6.24%
19	2008	3.84%	-6.80%	5.09%	2.39%	1.92%	1.37%	4.28%	6.34%	6.64%
20	2009	-0.36%	5.00%	3.25%	0.50%	0.00% - 0.25%	0.15%	4.08%	5.84%	6.87%
21	2010	1.64%	2.80%	3.25%	0.72%	0.00% - 0.25%	0.13%	4.25%	5.50%	5.98%
22	CURRENT	1.63%	2.80%	3.25%	0.75%	0.00% - 0.25%	0.12%	4.56%	5.69%	6.08%

REFERENCES:
COLUMN (A): 1990 - CURRENT, U.S. DEPARTMENT OF LABOR, BUREAU OF LABOR STATISTICS WEB SITE
COLUMN (B): 1990 - CURRENT, U.S. DEPARTMENT OF COMMERCE, BUREAU OF ECONOMIC ANALYSIS WEB SITE
COLUMN (C) THROUGH (G): 1990 - 2003, FEDERAL RESERVE BANK OF ST. LOUIS WEB SITE
COLUMN (C) THROUGH (D): CURRENT, THE VALUE LINE INVESTMENT SURVEY, DATED 03/11/2011
COLUMN (F) THROUGH (I): CURRENT, THE VALUE LINE INVESTMENT SURVEY, DATED 03/11/2011

GOODMAN WATER COMPANY
TEST YEAR ENDED DECEMBER 31, 2009
CAPITAL STRUCTURES OF SAMPLE COMPANIES

DOCKET NO. W-02500A-10-0382
SCHEDULE WAR - 9

AVERAGE CAPITAL STRUCTURES OF SAMPLE WATER COMPANIES

LINE NO.		AWR	PCT.	CWT	PCT.	WTR	PCT.	WATER COMPANY AVERAGE	PCT.
1	DEBT	$ 299.8	44.3%	$ 479.2	52.4%	$ 1,532.0	56.6%	$ 770.3	53.8%
2									
3	PREFERRED STOCK	0.0	0.0%	0.0	0.0%	0.0	0.0%	-	0.0%
4									
5	COMMON EQUITY	377.5	55.7%	435.5	47.6%	1,174.3	43.4%	662.4	46.2%
6									
7	TOTALS	$ 677.4	100%	$ 914.7	100%	$ 2,706.2	100%	$ 1,432.8	100%

AVERAGE CAPITAL STRUCTURES OF SAMPLE NATURAL GAS COMPANIES

LINE NO.		AGL	PCT.	ATO	PCT.	LG	PCT.	NJR	PCT.	NWN	PCT.
1											
2											
3	DEBT	$ 1,673.0	47.7%	$ 1,809.6	45.4%	$ 364.3	47.0%	$ 428.9	37.2%	$ 591.7	46.1%
4											
5	PREFERRED STOCK	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%
6											
7	COMMON EQUITY	1,836.0	52.3%	2,178.3	54.6%	411.3	53.0%	725.5	62.8%	693.1	53.9%
8											
9	TOTALS	$ 3,509.0	100%	$ 3,987.9	100%	$ 775.6	100%	$ 1,154.4	100%	$ 1,284.8	100%
10											
11											
12											

		PNY	PCT.	SJI	PCT.	SWX	PCT.	WGL	PCT.	NATURAL GAS LDC AVERAGE	PCT.
13											
14											
15	DEBT	$ 671.9	41.0%	$ 340.0	37.4%	$ 1,169.4	49.3%	$ 592.9	33.4%	$ 849.1	43.9%
16											
17	PREFERRED STOCK	0.0	0.0%	0.0	0.0%	100.0	4.2%	28.2	1.6%	$ 14.2	0.7%
18											
19	COMMON EQUITY	964.9	59.0%	570.1	62.6%	1,102.1	46.5%	1,153.4	65.0%	1,070.5	55.4%
20											
21	TOTALS	$ 1,636.9	100%	$ 910.1	100%	$ 2,371.4	100%	$1,774.4	100%	$ 1,933.8	100%
22											
23											

		WATER & LDC AVERAGE	PCT.
24			
25			
26			
27	DEBT	$ 809.7	48.1%
28			
29	PREFERRED STOCK	7.1	0.4%
30			
31	COMMON EQUITY	866.5	51.5%
32			
33	TOTALS	$ 1,683.3	100%

REFERENCE:

GOODMAN WATER COMPANY

DOCKET NO. W-02500A-10-0382

DIRECT TESTIMONY

OF

TIMOTHY J. COLEY

ON BEHALF OF

THE

RESIDENTIAL UTILITY CONSUMER OFFICE

MARCH 21, 2011

TABLE OF CONTENTS

INTRODUCTION

Q. Please state your name, occupation, and business address.

A. My name is Timothy J. Coley. I am a Public Utilities Analyst V employed by the Residential Utility Consumer Office ("RUCO") located at 1110 W. Washington, Suite 220, Phoenix, Arizona 85007.

Q. Please describe your qualifications in the field of utilities regulation and your educational background.

A. From 1985 through 1991, I was employed with the Georgia Public Service Commission as a Junior Auditor, Auditor, and Senior Auditor. I have been involved with utility regulation in Arizona since 2000 with RUCO as a utility rate analyst. I earned a Bachelor of Science degree in business management in 1985 from Troy State University in Troy, Alabama and a Master of Public Administration degree from the University of West Georgia in 1997. I have since taken several accounting classes at Arizona State University – West Campus, which qualifies me to sit for the CPA examination. Appendix I, which is attached to this testimony, further describes my educational background and also includes a list of the rate cases and regulatory matters that I have been involved with.

Q. What is the purpose of your testimony?

A. The purpose of my testimony is to present recommendations that are based on my analysis of Goodman Water Company's ("GWC" or the

"Company") Application for a permanent rate increase for the Company's operations in Arizona. GWC filed the Application with the Arizona Corporation Commission ("ACC" or "Commission") on September 17, 2010. The Company has chosen the operating period ended December 31, 2009, for the Test Year in this proceeding.

Q. Please describe GWC's organization.

A. GWC is a corporation duly organized and existing under the laws of the State of Arizona. The corporation is owned by the following three shareholders: Alexander Sears, James Shiner, and Amy Shiner. GWC is comprised of a single operating system that provides water utility services in its certificated area in Pinal County, Arizona. During the Test Year, GWC served approximately 625 utility service customers. The Company is seeking additional rate relief in the amount of $291,454. GWC maintains the revenues from its utility operations are presently inadequate to provide the Company a fair rate of return on the fair value of its utility plant and property. The Company's present rates were established and authorized by the Commission in Decision No. 69404, dated April 16, 2007. The rates went into effect on May 1, 2007.

Q. Please explain your role in RUCO's analysis of GWC's Application.

A. I reviewed GWC's Application to determine if the rates and charges being requested by the Company are appropriate. RUCO's cost of capital

witness, Mr. William Rigsby, and myself toured GWC's physical plant on December 17, 2010 and was accompanied by Company personnel.

Q. What issues will you address in your direct testimony?

A. My direct testimony will cover the rate base issues and levels of operating revenues and expenses, as well as the rate design issues associated with GWC's Application.

Q. What schedules will you be presenting in your direct testimony?

A. I will be presenting RUCO's ratemaking schedules for GWC. The rate base adjustments that I discuss in my direct testimony appear in Schedules TJC-2 through TJC-7. The operating revenue and expense adjustments that I will discuss appear on Schedules TJC-8 through TJC-16. RUCO's rate design will be presented on Schedules TJC RD-1 through TJC RD-6 for the residential and commercial customer classifications and Schedule TJC RD-1 through TJC RD-3 for the construction/standpipe customer classification.

Q. Is RUCO providing testimony on the cost of capital issues associated with the case?

A. Yes. Mr. Rigsby will file cost of capital testimony, under separate cover, for RUCO on the cost of capital issues associated with this case. RUCO's cost of capital analysis is shown on Schedule TJC-17.

SUMMARY OF TESTIMONY AND RECOMMENDATIONS

Q. Briefly summarize how your direct testimony is organized.

A. My direct testimony is organized in four sections. First, the introduction I have just presented and second, the summary of my testimony that I am about to give. Third, I will present the findings of my analysis of GWC's Application and will explain the various rate base and operating revenue and expense adjustments that I am recommending. Fourth, and finally, I will discuss my recommendations regarding GWC's rate design.

Summary of RUCO's Revenue Requirement

Q. Please summarize RUCO's revenue requirements.

A. RUCO recommends approximately the same overall revenue requirement that GWC' present rates generate. RUCO finds the Company's total plant capacity far exceeds the needs of its current customer base. This plant is not used and useful and, thus, is unreasonable excess capacity. While the overall requirement remains about the same, RUCO recommends a conservation oriented rate design that places 55.2 percent of the revenue requirement in the fixed monthly bill and 44.8 percent in the variable commodity rate. Residential customers will incur only a small change from their current monthly bill.

Summary of Rate Base Adjustments

Q. Please summarize RUCO's rate base recommendations and adjustments that you will address in your testimony.

A. Based on the results of my analysis of GWC, I am making the following recommendations related to rate base:

Rate Base Adjustment #1 – Test Year Plant & Accumulated Depreciation

This adjustment increases the accumulated depreciation balance for the Test Year by $3,268. The adjustment corrects a depreciation expense formula in the Company's 2007 B-2 Schedules on page 3.3. The Company admitted in response to RUCO Data Request 2.12 that it had "inadvertently used 4 ½ months and 7 ½ months rather than 3 ½ months and 8 ½ months in its computation" for depreciation expense. RUCO still contends that the more correct number of months to be used is 4 months and 8 months rather than 3 ½ months and 8 ½ months because Commission Decision No. 69404 states on page 21 "It is further ordered that the rates and charges approved herein shall be effective for all service provided on and after May 1, 2007."

Rate Base Adjustment #2 – Excess Capacity – This adjustment reduces the Company's plant in service for providing the needs of general water utility service to its customers that meet the Commission standards of 20 pounds per square inch. The adjustment removes a percentage of

general plant that RUCO deems as either not used and useful or more appropriately attributable to fire flow upgrades for a small number of larger homes to meet the fire district's minimum fire flow requirements. The "water development plans" notated in a letter to D. R. Horton Homes, dated September 2003 and attached as RUCO Exhibit 1, specifically states, "The approved Water Development Plans were approved for 1,000 gallons per minute ("gpm") fire flow and have notation that dwelling units exceeding 3,600 square feet in fire area shall have an automatic fire sprinkler system installed."

A Commission Staff engineering compliance report, dated September 2, 2010, indicated that GWC's plant capacity currently can serve approximately 1,800 customers. The Company was presently serving approximately 620 customers at Test Year end or roughly 35 percent of the number of customers that GWC's plant capacity is capable of serving, as identified in Staff's report and attached as RUCO Exhibit 2.

Rate Base Adjustment #3 – Advances in Aid of Construction ("AIAC")

This is a corresponding adjustment to AIAC that is directly related to RUCO Rate Base Adjustment #2 – Excess Capacity Adjustment above. To properly match all methods of financing gross plant (i.e. investor, AIAC, and/or CIAC supplied capital), an adjustment to AIAC is required to recognize a reduced level of AIAC. The same percentage reduction was

used to reduce the AIAC balance as was used in RUCO adjustment number two earlier.

Rate Base Adjustment #4 –Accumulated Deferred Income Taxes ("ADIT")

This adjustment is a corresponding adjustment to ADIT that is directly related to RUCO Rate Base Adjustment #2 – Excess Capacity Adjustment above. It reflects the ratemaking/book balances of plant items resulting from RUCO rate base adjustments number two and three. The ADIT balance transforms from the Company's ADIT liability balance to an asset balance, which increases rate base accordingly.

Summary of Operating Income Adjustments

Q. Please summarize RUCO's operating revenue and expense adjustments.

A. Based on the results of my analysis of GWC, I am making the following recommendations related to operating revenues and expenses:

Operating Adjustment #1 – Depreciation Expense – This adjustment calculates depreciation expense based on RUCO's recommended plant levels.

Operating Adjustment #2 – Property Tax Expense – This adjustment calculates property tax expense based on a modified Arizona Department

of Revenue ("ADOR") formula that has been adopted by the Commission in a number of prior rate cases.

Operating Adjustment #3 – Revenue Annualization – This adjustment reverses the Company's negative revenue annualization adjustment to zero.

Operating Adjustment #4 – Salaries & Wages Expense – This adjustment reduces the Company's 25 percent salary and wage expense increase to the Consumer Price Index ("CPI") level of 9.42 percent since the last Test Year of the Company's previous rate case through June 2010. An adjustment to reduce payroll taxes was also necessary to complete the adjustment.

Operating Adjustment #5 – Contractual Services Expense – This adjustment is similar to RUCO operating adjustment number 4 above. The adjustment reduces the Company's 25 percent contractual service expense increase to the Consumer Price Index ("CPI") level of 9.42 percent since the last Test Year of the Company's previous rate case through June 2010.

Operating Adjustment #6 – Remove Meals – This adjustment removes meals/lunches that were identified in the Company's response to Staff data request GTM 4.11.

Operating Adjustment #7 – Income Tax Expense – This adjustment calculates the appropriate level of income tax expense based on RUCO's recommended operating income less income taxes.

REQUIRED REVENUE

Q. Please summarize the results of RUCO's analysis of Goodman Water Company and your recommended revenue requirement.

A. Based on the results of RUCO's analysis of GWC's Application, RUCO's analysis determined that the Company should receive a gross revenue decrease of $36,000, as summarized below:

Fair Value Rate Base	$1,729,190
Adjusted Operating Income (Loss)	$ 160,650
Required Rate of Return	7.85%
Required Operating Income	$ 135,754
Gross Revenue Conversion Factor	1.4460
Gross Revenue Increase (Decrease)	($36,000)

Q. Does RUCO's rate design reflect the $36,000 rate decrease that resulted in RUCO's analysis and shown above?

A. No. RUCO recommends neither a rate decrease, which is reflected in its revenue requirement analysis, nor a revenue increase.

Q. What level of gross revenues will RUCO's recommended rates reflect in its rate design?

A. RUCO's recommended rates will produce approximately the same level of gross revenues that the Company's present rates generate, which will be briefly discussed next.

Rate Design Summary

Q. Is RUCO proposing the same rates that the Company presently has?

A. No. RUCO recommends changing the ratio of the monthly minimum (fixed) and commodity (variable) charges. However, the total gross revenue will remain approximately the same as the Company's present rates produce.

...

Q. Please explain RUCO's recommended rate design that result in approximately the same gross revenue being generated as the Company's present rates but with different fixed and variable charges than the Company presently has?

A. RUCO recommends moving more revenue to the commodity charges and less revenue in the monthly minimum charges while respecting the principle of gradualism.

Q. Did the Company propose moving more revenue to the commodity charges and less revenue in the monthly minimum charges in its proposed rates?

A. Yes. The Company's proposed rate design structure is quite similar to RUCO's recommended structure and will be discussed further at the end of my direct testimony.

RATE BASE ADJUSTMENTS

Rate Base Adjustment #1 – Test Year Plant and Accumulated Depreciation

Q. Please explain RUCO's adjustment to the Company's Test Year plant and accumulated depreciation balances.

A. I recomputed the plant and accumulated depreciation account balances starting at the Commission's last authorized balances that were established in Decision No. 69404, as shown on Schedule TJC-4, page 1 of 5 in columns (C) and (D). All annual plant additions and retirements

were added to and deducted from the Commission's last authorized level of plant and accumulated depreciation established in Decision No. 69404. RUCO's recompilation of plant determined that RUCO and the Company are in agreement on the Test Year end plant balances. However, my Schedule TJC-4, page 5 in column (H) on line 38 shows that the Company calculated $3,268 less of accumulated depreciation than RUCO did.

Q. Were you able to determine the cause of the two different accumulated depreciation balances between RUCO and the Company?

A. Yes.

Q. Briefly explain the difference in RUCO's and the Company's Test Year end accumulated depreciation balances.

A. The difference between the Company and RUCO arises in the 2007 depreciation expense calculation.

Q. What happened in 2007 that caused the two different depreciation expense calculations between the Company and RUCO?

A. The last Commission Decision No. 69404, dated April 16, 2007, authorized new depreciation rates for GWC on a going forward basis. As I stated earlier in my summary section of this testimony, RUCO's "adjustment corrects a depreciation expense formula in the Company's 2007 B-2 Schedules on page 3.3." The Company admitted in response to

RUCO Data Request 2.12 that it had "inadvertently used 4 ½ months and 7 ½ months rather than 3 ½ months and 8 ½ months in its computation" for calculating depreciation expense in that year. RUCO agrees that is what the Company did in its Application. However, RUCO still contends that the more correct number of months to be used for that year is 4 months and 8 months rather than 3 ½ months and 8 ½ months. That is true because Commission Decision No. 69404 states on page 21 "It is further ordered that the rates and charges approved herein shall be effective for all service provided on and after May 1, 2007." There was one set of rates for the first four-months and a second set of rates for the next eight-months. Therefore, depreciation expense should be calculated using four-month/eight-month time frames.

Rate Base Adjustment #2 – Excess Capacity

Q. Did RUCO make an excess capacity adjustment to the Company's Test Year end plant and accumulated depreciation balances?

A. Yes.

Q. Please explain why RUCO believes that excess capacity exists in the Company's Test Year-end plant and accumulated depreciation balances.

A. There are two reasons why RUCO believes excess capacity exists in GWC's system.

Q. What is the first reason why RUCO believes excess capacity exists in GWC's system?

A. RUCO believes the Company over-anticipated GWC's build out date and constructed plant that would be necessary to serve the projected number of customers at build out.

Q. How many customers can GWC serve?

A. RUCO finds GWC's current total capacity can serve 1,288 customers. However, GWC actually serves approximately 625 customers[1] in the Test Year.

Q. What is RUCO's rationale for its belief that the Company over-anticipated GWC's build out date and constructed plant that would be necessary to serve the projected number of customers at build out.

A. In the Company's last rate case[2], which utilized a Test Year ended September 30, 2005, GWC had $2.4 million in plant and served 479 customers. That is approximately $5,010 of plant per customer ($2.4 million of Plant / 479 Customers = $5,010). Since the last Test Year, the Company has added approximately $3.1 million in new plant additions and serves only an additional 142 customers. To serve the additional 142 customers, GWC constructed plant that cost each of the 142 customers

[1] Per GWC's 2009 Annual Report filed with the ACC, GWC served up to 630 customers during a one-month period.
[2] Commission Docket No. W-02500A-06-0281

roughly $22,000 per customer ($3.1 million / 142 = $21,831 per additional customer). Nearly 60 percent of the $3.1 million in plant additions were added in year 2007. What the Company could not have anticipated is the recent great recession and real estate collapse.

Another way to analyze the additional $3.1 million in plant additions is to compare the additions to GWC's customer growth from the end of 2005 thru Test Year end 2009. The $3.1 million of new plant additions since the last rate case represent an approximate 130 percent increase over the $2.4 million that was approved in the last Commission Decision No. 69404. On the other hand, customer growth has grown only 30 percent over the same time period. The ratio of GWC's customer growth to the plant additions over the same period of time is 0.23:1 or roughly 23 percent. Given these facts, RUCO believes that roughly 77 percent of the plant additions should be considered excess capacity and be recorded as plant held for future use ("PHFFU") and receive no rate base treatment at this time.

Q. If the Company had maintained its 2005 to 2006 growth rate, would GWC have reached build by the end of 2010?

A. If GWC had maintained its 2005 to 2006 growth rate of approximately 20 percent annually through year 2010, the Company would be serving over

1,000 customers today, which would make the additional new plant additions as more reasonable, but that did not happen.

Q. Was RUCO able to determine the total capacity of GWC's water system or in other words, how many customers the Company is capable of serving today?

A. Yes.

Q. How did RUCO determine the Company's current total capacity?

A. RUCO took into consideration a Staff engineering compliance memorandum (Attached as RUCO Exhibit 2) dated approximately six-months ago on September 2, 2010. According to Staff's engineering compliance report quoted below, the Company's water infrastructure currently has the capacity to serve 1,800 customers.

Staff's Review

According to the Company's Annual Report, the Company's water system consists of two wells (totaling 1,240 GPM), two storage tanks (totaling 930,000 gallons) and a distribution system serving 597 customers as of December 2007. Based on these plant capacities, **this system can currently serve approximately 1,800 customers.** In its filing, the Company proposed capital expenditure [sic] totaling $940,000 for a new Well #3 and related equipment, including engineering and contingency. Through data requests to the Company, Staff discovered that the capital plant and expenditure was not for a new Well #3, but actually for a Water Plant No. 3 site consisting of a 340,000 gallon storage tank and a booster system that will serve only a portion of the water system. Based on this finding, Staff has determined that the

> proposed Water Plant No. 3 would not meet the HUF tariff requirements because this water plant site would not benefit the entire water system. As a result, Staff concludes that this Company is not a good candidate for a HUF Tariff.

Q. Is RUCO relying on the Staff memo to make its excess capacity adjustment?

A. No. But RUCO considers it an important consideration and further support that a significant portion of GWC's plant is not used and useful.

Q. What source(s) is RUCO using in determining its excess capacity factor?

A. RUCO is primarily using the Company's compliance filing, dated July 31, 2007,[3] and attached as RUCO Exhibit 3. As a sanity check, RUCO utilizes the Company's response to an "Intervenor's" data request number 3 labeled as Appendix "A" and is attached as RUCO Exhibit 4.

Q. What figure does RUCO use to determine GWC has excess capacity?

A. RUCO contends GWC's system can serve a total of 1,288 customers.

The Company's compliance item Docket No. W-0200A-06-0281, dated July 31, 2007 referenced above, states that the Company anticipates 724 new customer connections over a time period of 2008 through 2001 on page 1, line 21. On July 31, 2007, the same day that the Company's compliance filing was docketed, the Company served only 564 customers

[3] Commission Docket No. W-02500A-06-0281

per the Company's 2007 Annual Report filed with the Commission. The two customer count numbers cited above result in 1,288 customers (564 customers served on July 2007 + 724 anticipated new customer connections = 1,288 customers) to be served by the Company. This 1,288 projected customer count was used as the denominator in my excess capacity factor calculation.

Q. Describe how you calculate the percentage of excess capacity since GWC's system was built to serve 1,288 customers but actually served approximately 620 customers in the Test Year?

A. RUCO contends that 43.12 percent of GWC's total plant is not used and useful.

The complete equation is shown below and an explanation follows:

$$(666 \times 1.10) / 1{,}288 = \mathbf{.5688}$$

The 666 in the above equation represents the highest number of customers that were connected to the system in year 2010, which is one year after the Test Year. I then multiplied the 666 customers by 1.10 to provide a margin of reserve for some future growth. The additional 10 percent in the margin of reserve exceeds RUCO's analysis that the Company grew by only 7 percent from the end of the Test Year to the end

of 2010 as shown in RUCO Exhibit 5, page 3. As explained earlier, the 1,288 figure represents the projected number of customers. The above calculation results in a factor of .5688, or 56.88 percent, which represents the percentage of used and useful plant. The remaining .4312, or 43.12 percent, is amount of excess capacity (1 - .5688 = .4312).

Q. What is a "margin of reserve" and why did RUCO use it?

A. It is a measure of available capacity over and above the actual number of customers being served at a given point in time. Reserve margin and reserve capacity are synonymous. For a producer of energy, it refers to the capacity of a producer to generate more energy than the system normally requires. For a transmission company, it refers to the capacity of the transmission infrastructure to handle additional energy transport if demand levels rise beyond expected peak levels.

Regulatory bodies usually require water and sewer companies and producers and transmission facilities to maintain a constant reserve margin of 10-20% of normal capacity as insurance against breakdowns in part of the system or sudden increases in demand.

Even though GWC's annual growth has slowed from past growth rates, it has not entirely ceased (i.e. approximately 40 additional customers in 2010). RUCO realizes the Company will continue some level of short-

term growth and accounts for it with its ten percent margin of reserve allowance.

Q. Why does RUCO believe a reserve margin is critical in examining the issue of excess capacity?

A. First, RUCO realizes that a water system cannot be designed to serve the exact same number of current customers *in an* economically feasible manner. Over the short-run or a period of one-year or less, there may be some excess capacity in a water system that is inevitable if we seek economies of scale. But, there should not be excess capacity over the long-run, particularly with water systems. In essence, excess capacity results in higher rates to the current ratepayers and is inherently unfair.

Q. Why didn't RUCO use the 1,800 customer figure in Staff's memo to determine its excess capacity factor?

A. RUCO did not use the 1,800 customer figure cited in Staff's report because of fire code compliance issues. The code relied on by the Golder Ranch Fire District ("GRFD"), which serves the ECR development, requires that a water system must have two hours of constant flow at 2,000 gallons per minute.

...

Q. What is the second reason why RUCO believes excess capacity exists in GWC's system?

A. RUCO believes that a prior GWC shareholder, D. R. Horton[4] who was also the developer of ECR, made a costly decision to add additional fire flow capacity as opposed to *retrofitting*, or installing during the construction phase, a small number of homes (approximately five at that time) with fire sprinklers. The additional, unnecessary fire flow capacity was far more expensive than providing sprinkler systems for five homes at the time. This decision came at the expense of approximately 80 to 85 percent of all GWC's ratepayers.

Q. What evidence does RUCO have to support its claim that the decision made by former shareholder D. R. Horton was financially harmful to the large majority of ratepayers residing in ECR?

A. Exhibit 1 to my direct testimony supports RUCO's position regarding this matter. Exhibit 1 is a letter, dated September 2003, from GRFD to Mr. Jim Morrison, Vice President of Construction for D.R. Horton Homes. Paragraph H on page 2 of the letter expresses D.R. Horton Home's desire to not have to install automatic sprinkler systems in homes exceeding 3,600 square feet in fire area in order to meet a GRFD requirement.[5] As an alternative, D. R. Horton Homes proposed to increase the available fire

[4] Per Company response to RUCO data request 1.12, D. R. Horton was a shareholder in Goodman Water Company from June 26, 2003 thru March 20, 2007.
[5] Section I, subsection A of the September 2003 GRFD letter.

flow capacity in the GWC system from 1,000 gallons per minute ("gpm") to 1,500 gpm, or a 50 percent increase in the rate of fire flow capacity.

Q. Did GWC build the fire flow upgrade stated in the letter?

A. Yes.

Q. Why does RUCO believe that 80 to 85 percent of GWC's ratepayers were financially harmed as a result of the decision to upgrade GWC's fire flow capacity instead of installing in-home fire sprinklers?

A. Because approximately 80 to 85 percent of the homes in the ECR development were not affected by GRFD's 3,600 square foot fire area requirement. Therefore, D. R. Horton's decision to upgrade for those five homes was imprudent. It is this fire flow requirement involving dwelling unit square footage that validates RUCO's position on this issue. Every ratepayer that has ever owned a dwelling in the ECR development and that has less than 3,600 square feet of fire area has always had sufficient minimum fire flow at 1,000 gpm. The September 2003 GRFD letter clearly points that very fact out in paragraph one on page two which states:

> **Water Development Plans** – The approved Water Development Plans were approved for 1,000 gpm fire flow and have notation that dwelling units exceeding 3,600 square feet in fire area shall have an automatic fire sprinkler system installed.

Because D. R. Horton Homes, the developer and former GWC shareholder made a business decision not to install automatic fire sprinkler systems in the small number of dwellings that had a fire area in excess of 3,600 square feet, GWC has been recovering in rates the costs associated with the fire flow upgrades just described. A situation which could have been avoided had D.R. Horton Homes simply retrofitted the small number of homes that were not in compliance with GRFD's requirements in 2003 or installed fire sprinklers in any additional homes that fell within the 3,600 square foot fire area threshold.

Q. Will GWC's ratepayers continue to pay higher rates as a result of the Company's business decision to upgrade its fire flow capacity?

A. Yes, if the Commission approves the unnecessary extra 500 gpm fire flow capacity built into the plant.

Q. Why does RUCO believe it is unfair that ratepayers should pay for GWC's decision to increase the minimum fire flow from 1,000 to 1,500 gpm?

A. RUCO does not believe ratepayers should pay the additional cost. Simply stated, the additional capacity was not needed or even necessary for the provision of water service. Quite frankly, it appears to RUCO that the additional capacity was not necessary to meet the fire flow compliance requirements for dwellings less than 3,600 square feet in fire area.

D. R. Horton shifted the cost of the fire flow compliance for a select few homes from D. R. Horton Homes' ledgers to those of the utility to be recovered from captive ratepayers.

Q. What adjustment did RUCO make to the Company's plant and accumulated depreciation to account for the excess capacity issue?

A. RUCO's adjustment to plant and accumulated depreciation for the excess capacity issue reduces plant by $2,358,931 and decreases accumulated depreciation by $316,267 as shown on Schedule TJC-3 with the detail on Schedule TJC-5.

Q. Would a hook-up fee mitigate the fire flow situation and overall increase in rates being proposed by the Company in this proceeding?

A. A hook-up fee instituted after the Company's prior rate case could have mitigated the rate increase being sought by GWC in this proceeding. In fact Decision No. 69404 ordered the following:

> IT IS FURTHER ORDERED that Goodman Water Company shall file a hook-up fee tariff with Docket Control, as a compliance item in this Docket, for Staffs review by July 31, 2007.

Q. Was the hook-up fee tariff ordered in Decision No. 69404 ever filed by the Company?

A. Yes. The Company filed the required hook-up fee tariff on July 31, 2007. Unfortunately, the tariff was filed under an incorrect docket number and was never addressed by Staff until September 2, 2010. After reviewing

the Company's hook-up fee tariff, Staff concluded that a hook-up fee at this time, would not benefit the entire water system. RUCO believes that Staff may not have come to the same conclusion had the hook-up fee tariff been addressed when the Company was in the process of building the additional infrastructure that is not serving existing customers. Hook-up fees collected during that period would have been treated as contributions-in-aid-of-construction and would have shielded customers from the costs of non-used and useful plant that GWC is attempting to recover in new rates.

Q. Please summarize why the Commission should adopt RUCO's recommended adjustment related to the excess capacity and fire flow issues in this case.

A. Quite simply GWC's current ratepayers should not have to pay higher rates for plant that is intended for future customers. While GWC may have constructed plant to serve anticipated growth, that growth never materialized. GWC's customers should not bare the entire burden of growth. In addition, GWC's ratepayers should not have to pay for fire flow upgrades that could have been avoided had a prior shareholder made a business decision to retrofit or include sprinkler systems in a small number of homes that fell within the requirements of the GRFD fire code.

The Commission, as it did in the recent Gold Canyon case, Decision No. 70662, should balance the interests of ratepayers and shareholders and spread the risk. RUCO has spread the risk by its proposal to use a ten percent margin of reserve. Moreover, RUCO's proposal will incent utilities to build capacity to meet its customers' needs.

For these reasons, RUCO believes the Commission should reject GWC's request for a 50.89 percent revenue increase over Test Year adjusted revenues and adopt RUCO's recommendation not to increase or decrease the current rates.

Q. Does a letter sent to GWC's customers on or around February 10, 2011 diminish in anyway RUCO's excess capacity adjustment?

A. No. The letter describes the Company's efforts to maintain water service during the recent cold snap experienced in Southern Arizona. In its letter attached as RUCO Exhibit 6, GWC states that it would not have been able to provide water without the 530,000 gallon reservoir located in the northeast corner of ECR.

Q. What is RUCO's opinion on this letter?

A. RUCO believes that it is commendable that GWC was able to maintain water service to its customers during the recent period of record cold weather. However, the point is that while the reservoir in question may

have played a role in keeping water flowing, it is not the only source of water storage in the Company's system that is subject to RUCO's excess capacity adjustment. The Company presently has 930,000 gallons of storage capacity, 400,000 of which is being provided by a reservoir that was afforded rate base treatment in the Company's prior rate case proceeding. RUCO's excess capacity adjustment does not identify any specific plant asset. Rather, the adjustment reflects excess plant capacity in terms of a percentage of total plant.

Rate Base Adjustment #3 – Advances in Aid of Construction ("AIAC")

Q. Please explain RUCO's rate base adjustment #3 to AIAC?

A. RUCO's rate base adjustment #3 to AIAC is a companion adjustment that corresponds to RUCO's rate base adjustment #2 – excess capacity. It was necessary to reduce the level of the AIAC balance using the same factor, .5688 or 56.88 percent that was used in making RUCO's excess capacity adjustment.

Q. What adjustment did RUCO make to the Company's AIAC balance to account for the excess capacity issue?

A. RUCO's adjustment to the Company's AIAC balance to account for the excess capacity issue reduces AIAC by $906,365 from the Company's adjusted Test Year balance of $2,101,905 to RUCO's recommended level

of $1,195,540 as shown on Schedule TJC-3 at line 5, column (D), with the detail on Schedule TJC-6.

Rate Base Adjustment #4 – Accumulated Deferred Income Taxes ("ADIT")

Q. Please explain RUCO's rate base adjustment #4 to ADIT?

A. RUCO's rate base adjustment #4 to ADIT is also a companion adjustment that corresponds to RUCO's rate base adjustment #2 – excess capacity. It was necessary to recalculate the level of ADIT using RUCO's recommended ratemaking/book balances of plant items after RUCO's excess capacity adjustments.

Q. What adjustment did RUCO make to the Company's ADIT balance to account for the excess capacity issue?

A. RUCO's adjustment to the Company's ADIT balance to account for RUCO's excess capacity adjustments reverses the Company's ADIT liability balance, which is a reduction to rate base, and creates an ADIT asset balance, which increases rate base accordingly. RUCO reduced the Company's adjusted Test Year ADIT liability balance of $135,342, which is a reduction to rate base, by $460,294 and creates an ADIT asset balance of $324,952, which is an addition to rate base and obviously does not benefit ratepayers. RUCO's adjustment is shown on Schedule TJC-3 at line 11, column (E), with the detail on Schedule TJC-7, page 1 and 2.

OPERATING EXPENSE ADJUSTMENTS

Operating Adjustment #1 – Depreciation Expense

Q. Please explain RUCO's adjustment to the depreciation expense.

A. RUCO's adjustment to depreciation expense reflects the Commission's approved depreciation rates applied to RUCO's recommended plant balances due to RUCO's Original Cost Rate Base ("OCRB") adjustment for excess capacity as shown on Schedule TJC-3 on line 1, column (C). RUCO's depreciation expense adjustment is shown on Schedule TJC-9 on line 19, column (B). The depreciation expense adjustment's detail is shown on Schedule TJC-10.

Q. What adjustment did RUCO make to the Company's adjusted Test Year depreciation expense?

A. RUCO's adjustment reduces the Company's adjusted test year depreciation expense by $98,254. The adjustment was driven by RUCO's rate base adjustment for excess capacity.

Operating Adjustment #2 – Property Tax Expense

Q. Has RUCO made an adjustment to the Company-proposed level of property tax expense?

A. Yes.

Q. Has RUCO calculated property tax expense using a methodology that has been adopted by the ACC in prior rate cases?

A. Yes. RUCO has used a modified version of the ADOR formula that has been adopted by the Commission in a number of prior rate cases. RUCO's calculation of property tax expense uses two years of adjusted gross operating revenues and one year of RUCO's proposed level of gross operating revenue to arrive at a three-year average of revenue that is subject to property tax. The calculation of property tax expense is shown on Schedule TJC -11.

Q. Are there any differences between RUCO's calculation of property tax expense and the Company's calculation?

A. Yes. There are three differences. All three differences are in the two adjusted Test Year revenues and the one-year of proposed level of revenue. Other than those differences, there is no difference between RUCO and the Company's property tax calculation methodology.

Q. What adjustment did RUCO make to the Company's adjusted Test Year property tax expense?

A. RUCO's adjustment reduces the Company's adjusted test year property tax expense by $3,036. The adjustment was driven by RUCO's rate base adjustment for excess capacity. RUCO's property tax expense adjustment

is shown on Schedule TJC-9 on line 31, column (C). The detail of the adjustment is shown on Schedule TJC-11 as referenced earlier.

Operating Adjustment #3 – Revenue Annualization

Q. Please explain the reasoning for RUCO's adjustment to the Company's adjusted Test Year revenues.

A. The Company made an adjustment to its "Test Year Book Results" to annualize GWC's revenues to the Test Year end number of customers. The Company's proposed adjustment is negative, which reduces the revenues for the Test Year book results by $7,359.

Q. Does RUCO agree with the Company's negative revenue annualization adjustment?

A. No. GWC's adjustment presumes that Company will experience an erosion of revenue on a going forward basis. That assumption is far from the truth. As a matter of fact, RUCO believes the complete opposite is true.

Q. Why does RUCO believe the complete opposite is true and the Company will not experience an erosion of revenue on a going forward basis?

A. A review of the Company's Annual Reports filed with the Commission should lead one to the exact opposite conclusion.

Q. Did RUCO perform such an analysis?

A. Yes. RUCO performed a couple of analyses, including the review of GWC's Annual Reports filed with the Commission.

Q. Please discuss and provide RUCO's results of its analyses.

A. GWC's Annual Reports filed with the Commission annually showed the data regarding annual revenues from year to year since its inception:

Year	Revenue	% Change
2002	$ 63,349	N/A
2003	98,159	55%
2004	162,451	66%
2005	228,015	40%
2006	294,130	29%
2007	484,158	65%
2008	548,016	13%
2009	566,372	3%

Clearly, the data shows that the Company has never experienced any erosion of revenues and has steadily increased its revenues over the years. It is counter-intuitive, absent an explanation to presume lower revenues for GWC on a going forward basis.

...

Q. Please describe RUCO's second analysis regarding the Company's negative revenue annualization adjustment?

A. Schedules TJC-12 on pages 1 thru 7 shows RUCO's revenue annualization calculation. RUCO uses average year customer counts rather than the Company's Test Year end customer count to annualize revenues. The revenue annualization result using RUCO's average year customer counts was a negative $49. RUCO deemed the negative $49 as *de minimis* and provides Schedules TJC-12 in its direct filing for display purposes only.

Q. What adjustment did RUCO make to the Company's adjusted Test Year revenues?

A. RUCO's adjustment reverses the Company's adjustment and increases GWC's adjusted Test Year revenues by $7,359. RUCO's revenue annualization adjustment is shown on Schedule TJC-9 on line 1, column (D). This places the level of revenues back to the amount that was booked in the Test Year.

<u>Operating Adjustment #4 – Salaries and Wages</u>

Q. Did RUCO make an adjustment to the Company's adjusted Test Year wage and salary expense?

A. Yes.

Q. Please explain RUCO's adjustment to the salary and wage expense account?

A. The Company made an adjustment that increased the President's/ Manager's salary by 25 percent over the Test Year booked amount. This employee is also the largest shareholder in GWC and received his proportionate share of a $90,000 dividend paid in the Test Year. The 25 percent Company increase raised his salary $8,000 from $32,000 to $40,000. Considering the current economic conditions, RUCO believes the Company's adjustment is an excessive percentage increase when many people in today's market are taking cuts in salaries and/or losing jobs all together. RUCO calculated the inflation factor over the period of time since GWC's last rate case, which utilized a September 30, 2005 Test Year end, thru June 2010. The inflation factor was 9.42 percent over that time frame. RUCO multiplied the 9.42 percent inflation factor by the Test Year book result of $32,000 to obtain a more reasonable wage increase in today's economic environment, which equals $3,014 (9.42% x $32,000 = $3,014). This downward adjustment is more palpable for the ratepayers and also fair to the President/Manager because it sustains the same buying power as he had before.

...

Q. What adjustment did RUCO make to the Company's adjusted Test Year wage and salary expense?

A. RUCO's adjustment decreases the Company's $40,000 adjusted Test Year salary and wage expense by $4,986. I will note that RUCO went out six-months beyond the Test Year when calculating the inflation factor to be applied to the Test Year book result of $32,000. There were payroll taxes that were also affected. RUCO reduced the associated payroll taxes by the same inflation factor used above. The adjustment for payroll taxes was $372 less too. These adjustments can be seen on Schedule TJC-9 on lines 5 and 20 in column (E). The detail of RUCO's wage and salary expense adjustment is shown on Schedule TJC-13.

Operating Adjustment #5 – Contractual Services

Q. Did RUCO make an adjustment to the Company's adjusted Test Year contractual services expense?

A. Yes.

Q. Please explain RUCO's adjustment to the contractual services expense account?

A. This adjustment is similar in respect to RUCO's previous operating income adjustment to salaries and wages expense. The Company made an adjustment to its Test Year book results to increase contractual services

expense by 25 percent from $16,000 to $20,000. Again, considering the current economic conditions, RUCO believes the Company's adjustment is an excessive percentage increase in today's economic environment. RUCO calculated the inflation factor over the same period of time - October 1, 2005 thru June 30, 2010 – which resulted in 9.42 percent. RUCO multiplied the 9.42 percent inflation factor by $16,000 to obtain a more reasonable increase in today's economic environment, which equals $1,507 (9.42% x $16,000 = $1,507). This downward adjustment is also more palpable for the ratepayers and also fair to the contractual service provider because it sustains the same buying power as before. This person is also a shareholder of GWC and received a proportionate share of the $90,000 dividend paid in the Test Year.

Q. What adjustment did RUCO make to the Company's adjusted Test Year contractual services expense?

A. RUCO's adjustment decreases the Company's $4,000 adjustment by $2,493. There were payroll taxes associated with this expense since it is for outside contractual services. The adjustment is shown on Schedule TJC-9 on line 11 in column (F). The detail of RUCO's contractual services adjustment is shown on Schedule TJC-14.

Operating Adjustment #6 – Outside Services/Meal Expense

Q. Please explain RUCO's adjustment to outside services expense?

A. This adjustment removes meal expenses apparently charged to the outside services account. The meal expenses were identified in the Company's response to Staff data request GTM 4.11.

Q. What is RUCO's rationale for disallowing the meal expenses and not allowed to be recovered through ratepayers' rates?

A. RUCO readily admits that the amount is small in light of other recommended adjustments in this case. RUCO's rationale is based on what the Internal Revenue Service ("IRS") allows as expense deductions when determining income tax payable, which the IRS allows only a 50 percent deduction of meals. In light of that, RUCO does not believe any amount of meal expense should be includable in determining water rates.

Q. What adjustment did RUCO make to remove the meals from the outside services account?

A. RUCO's adjustment decreases the Company's outside services account by $148. The adjustment is shown on Schedule TJC-9 on line 11 in column (G). The detail of RUCO's outside services adjustment is shown on Schedule TJC-15.

Operating Adjustment #7 – Income Tax Expense

Q. Have you calculated income tax expense based on RUCO's recommended adjusted operating income?

A. Yes. This adjustment is shown on Schedule TJC-17 for GWC. The primary difference between RUCO and the Company for this adjustment is the recommended amount of depreciation expense.

Q. Have you included an interest synchronization calculation in your computation of income tax expense?

A. Yes. The interest synchronization calculation, which computes an interest expense deduction for income taxes, can be viewed in the schedules noted above. The interest synchronization calculation is the adjusted rate base multiplied by the weighted cost of debt.

RATE DESIGN

Q. Is RUCO recommending a rate design that reflects the $36,000 total revenue decrease, which is shown in RUCO's revenue requirement Schedule TJC-1 on line 8 in column (B) for GWC?

A. No, not at this time.

...

Q. What level of revenue does RUCO's rate design produce?

A. RUCO's rate design generates $567,889, which approximates GWC's present rates' revenues. RUCO does not recommend either a rate increase or a rate decrease in its direct testimony.

Q. What amount of revenues does the Company's present rates generate compared to RUCO's recommended rates?

A. GWC's present rates generate the following revenues for its different customer classifications as shown below:

Meter Sizes	Classification	Company Present Revenues	RUCO Recommended Revenues
5/8 x ¾"	Residential	$ 438,217	$ 438,964
¾"	Residential	88,623	88,001
1"	Residential	6,812	6,700
1"	Commercial	13,599	14,882
1 ½"	Commercial	458	427
2"	Commercial	14,440	14,977
5/8 x ¾"	Construction	3,456	3,938
Total Revenues		$565,505	$567,889

These amounts are shown in RUCO's rate design model schedules and on the Company's Schedule H-1 in the "Total Revenues at Present Rates" column.

...

Q. Is RUCO recommending the same rates that the Company presently has?

A. No. RUCO recommends altering the ratio of the monthly minimum (fixed) and commodity (variable) charges and shifting more revenues into the commodity charge and less revenue in fixed monthly charge. However, the total gross revenues will remain approximately the same as the Company's present rates produce, as was shown in the earlier table. This will be accomplished while respecting the principle of gradualism.

Q. Why does RUCO's rate design shift more of the revenues into the commodity or variable charge and less revenue in the monthly minimum or fixed charge?

A. Over the past decade or longer, the Commission, RUCO, and water companies have been encouraging and promoting rate designs that raise the awareness and importance of water conservation in Arizona's desert country. Inverted multi-tiered commodity rate structures have been instituted by all to help foster the goal toward water conservation. RUCO strives for a ratio between the monthly minimum fixed charge and variable commodity charge to be approximately 40:60 percent respectively.

Having a 40:60 ratio between the monthly minimum and commodity charges encourage the water users, customers, to conserve and possibly lower their consumption, which could impact their water bills positively. When the 40:60 ratio is reversed, the price signal sent to the consumer is

much weaker than having more of the revenues built into the commodity charges. The consumer has no control whatsoever over the monthly minimum charge and any change in the customers' behavior to conserve will not impact the monthly minimum charge. On the other hand when more revenue is built into the commodity charge, consumers can actively participate more towards the goal of water conservation and have a direct impact on both their water consumption and the amount of commodity charges billed each month.

Q. What is GWC's current ratio of monthly minimum to commodity charges in its present rate structure?

A. The three meter sizes (5/8 x ¾", ¾ " and 1") in the residential classification have 62 percent in the monthly minimum and 38 percent in the commodity charges, which is the opposite of what it should be to send the proper price signal to encourage conservation.

Q. What ratio did RUCO use between the monthly minimum to commodity charges in its recommended rate design for GWC?

A. RUCO's rate design has a ratio of 55.2 percent in the monthly minimum and 44.8 percent in commodity charges for the total amount of revenues for of all customer classifications, which includes residential, commercial, and construction/standpipe.

Q. Did the Company propose moving more revenue to the commodity charges and less revenue in the monthly minimum charges in its proposed rates?

A. Yes. The Company's proposed rate design structure is quite similar to RUCO's. The Company also proposed an approximate 55:45 ratio between the monthly minimum and commodity charges respectively.

Q. Isn't a 55:45 ratio between the monthly minimum and commodity charges still short of RUCO's 40:60 ratio goal?

A. Yes. In designing rates, we do not want to drastically and suddenly change the structure of the rate design in one swoop. It is better to gradually move the Company and customers toward the ratio of 40:60. This is referred to as the principle of gradualism. When the Company files its next Application, RUCO will recommend a further advancement towards the 40:60 goal.

Q. What is the impact of RUCO's recommended rates on an average bill for a 5/8 x ¾ inch and ¾ inch metered residential customer?

A. I will provide the impact of RUCO's recommended rates on an average bill for a 5/8 x ¾ inch and a ¾ inch metered residential customer. The 5/8 x ¾ inch metered customer represents 85.7 percent of the Company's total customers. The present monthly bill for a 5/8 x ¾ inch residential customer using an average of 5,477 gallons is $66.73. RUCO's

recommended monthly bill for a 5/8 x ¾ inch residential customer using an average of 5,477 gallons is $66.57, a decrease of $0.16 or two-tenths of one percent less than the present rates.

The present monthly bill for a ¾ inch residential customer using an average 6,449 gallons is $93.57. RUCO's recommended monthly bill for a ¾ inch residential customer using an average of 6449 gallons is $92.43, a decrease of $1.14 or 1.2 percent less than the present rates.

The customer classifications' average and median rates are shown on respective Schedules TJC RD-5 for the residential and commercial classifications. The same information is provided for the construction/standpipe customer classification on Schedule TJC RD-3.

Q. I thought RUCO testified that it recommended neither a rate increase nor a rate decrease for GWC. Why are some customers receiving rate decreases as shown above?

A. The reason why some residential customers are receiving small rate decreases is due to RUCO's rate design structure that moves more revenues into the commodity charges and less in the monthly minimum charge. However, as soon as a customer exceeds the average gallon consumption point, the customer will see an increase in their bill under RUCO's recommended rate design over the Company's present rate

design because RUCO's commodity rates are higher than the Company's present commodity rates. Thus, a customer is awarded in lower monthly bills if he/she practices conservation whenever more revenues are moved to the commodity charges versus the monthly minimum charge. But again, once the customer exceeds the average consumption point, the reverse is true.

Q. Does RUCO's silence on any issue grant its acceptance?

A. No.

Q. Does this conclude your testimony on AWC?

A. Yes, it does.

APPENDIX 1

Qualifications of Timothy J. Coley

WORK HISTORY

July 2000 – Present: **RESIDENTIAL UTILITY CONSUMER OFFICE,** Phoenix, Arizona
Public Utilities Analyst V. The Residential Utility Consumer Office (RUCO) is a consumer advocate group providing residential consumers a voice in utility regulation and backed by a professional staff with legal and financial expertise. Responsibilities include: audited, reviewed and analyzed public utility companies various filings; prepared written testimony, schedules, financial statements, and spreadsheet models and analyses. Testified and stand cross-examination before the Arizona Corporation Commission.

January 2000 - April 2000: **JACKSON HEWITT TAX SERVICE,** Phoenix, Arizona
Tax Preparer. Interviewed clients, determined tax situation, and explained how the tax laws benefited them in their specific situation. Ensured that each customer received every deduction that they were entitled. Prepared individual and business income tax returns, which best utilized each specific situation that minimized their tax obligations.

May 1998 - November 1999: **BENEFITS CONSULTING,** Cypress, Texas
Consultant Assistant. The consulting firm specialized in alleged medical claim charges brought against the government of Harris County in Houston, Texas. Assisted in the review, examination, and analysis of the attested charges. Determined if the purported medical claim charges were prudent, customary, and reasonable for the alleged sustained injuries. The firm analyzed cases for both the County's Risk Department and Attorneys Office.

January 1992 - April 1998: **PHOENIX SERVICES,** Villa Rica, Georgia
Owner. Provided landscaping services primarily in a high growth gated community where the Property Owners' Association approved mandated ordinances to be strictly adhered and abided by. Coordinated and supervised all aspects of projects from inception to completion, from master planning to site design to installation.

May 1989 - October 1991: **GEORGIA PUBLIC SERVICE COMMISSION,** Atlanta, GA
Senior Auditor. The Public Service Commission (PSC) was responsible for regulating many intrastate telecommunications, electric, and gas utility industries operating in Georgia. It was the PSC's job to ensure that consumers received adequate and reliable service at reasonable rates. It must also assure the utility companies and investors an opportunity to earn a fair rate of return on prudent investments. The Commission participated significantly in Georgia's economic health and growth. I was promoted to the PSC's Electric/Gas Division where I examined, verified, and analyzed various financial documents, accounting records, reports, ledgers, and statements. In addition, I was assigned to automate the PSC's Electric Division where I utilized a computer application process that I had developed earlier while with the (PSC) Telecommunication Division. I was later ascribed to work in conjunction with the Engineering Department and established a procedure to track and compare costs of operation and maintenance (O&M) expenses of nuclear electric generating plants. This effort determined a comparative price per kilowatt-hour produced that influenced the awareness for the company to control the O&M costs, which benefited the consumer through lower prices.

- Developed computer application system that streamlined audit procedures by 30 – 40%.
- Various other schedules were implemented to track, maintain, and control costs.

GEORGIA PUBLIC SERVICE COMMISSION (continued)

November 1986 - April 1989: **Georgia Public Service Commission,** Atlanta, Georgia **Auditor.** Regulated telecommunications and also oversaw the deregulation process that was currently under way in that industry. Examined and analyzed accounting records to determine financial status of companies and prepared financial reports concerning audit findings. Reviewed data including payroll, time sheets, purchase vouchers, cash receipt ledgers, financial reports, and disbursements. Verified statewide telephone company transaction classifications and documentation.

- Developed computer application utilizing Lotus to completely automate and streamline the entire telecommunication audit process. The results saved 25% in field audit time and produced a product of professional appearance.
- Created, coordinated, and implemented "Operational Project Training" automated procedure-training program. Trained and supervised staff of five auditors.
- Computerized "Desk Audit Analysis" program that identified 11 independent telephone companies in the state of over-earning and resulted in $4.1M annual savings to the Georgia ratepayers affected.

October 1985 - October 1986: **Georgia Public Service Commission,** Atlanta, Georgia **Junior Auditor.** Assisted in planning and performing telecommunication audit engagements. Examined financial records, internal management control, correspondence, bills, and records of services delivered in order to verify or recommend compliance with company specifications contained in contracts, agreements, regulations, and/or laws.

- As a special project, I was assigned to analyze the results of a survey designed to evaluate "Interest in Organizing a Multi-State Nuclear Management Review Group" by the Director of Utilities. Wrote the draft and findings for the speech that was presented to all participatory commissions.

PROFESSIONAL MEMBERSHIPS

- Elected Member of the National Honor Society for Public Affairs and Administration.
- Active Member of Delta Sigma Pi - Professional Business Fraternity.

SPECIAL TRAINING AND CERTIFICATES

- The Graduate School of Business Administration - Michigan State University; completed the Annual Regulatory Studies Program of the National Association of Regulatory Utility Commissioners.
- Completed Graduate Exit Paper on "Deregulation of the Electric Industry".
- Attended Eastern Utility Rate School in 2000 and 2005.

EDUCATION

- Currently enrolled at Arizona State University - West in the Post Baccalaureate Graduate Certificate Program in Accountancy with two courses remaining.
- Master of Public Administration, State University of West Georgia, 1997, GPA 3.5.
- BS Business Management & Administration, Minor in Economics, Sorrel School of Business, Troy State University, 1985.
- AA Business Administration, Miles Community College, 1981.

RESUME OF PUBLIC UTILITY RATE CASES & AUDITS PARTICIPATION

Residential Utility Consumer Office For Years 2000 To Present

Arizona-American Water Company – Docket No. WS-01303A-05-0405

Arizona Public Service Co. – Docket No. E-01345A-03-0437

Tucson Electric Power Company – Docket No. E-01933A-04-0408

UniSource Merger – Docket No. E-04230A-03-0933

Arizona-American Water Company – Docket No. WS-01303A-02-0867

Arizona Water Company (Eastern Group) – Docket No. W01445A-02-0619

Litchfield Park Service Company – Docket Nos. W-01427A-01-0487 & SW-01428A-01-0487

Arizona Water Company (Northern Group) – Docket No. W-01445A-00-0962

Rio Verde Utilities, Inc. – Docket Nos. W-02156A-00-0321 & SW-02156A-00-0323

Arizona-American Water Company (Paradise Valley) – Docket Nos. W-01303A-05-0405 & W-01303A-05-0910

Arizona-American Water Company (Mohave District) – Docket No. WS-01303A-06-0014

Arizona-American Water Company (Sun City & Sun Cit West Wastewater) – Docket No. WS-01303A-06-0491

Arizona-American Water Company - Docket No. W-01303A-07-0209

Chaparral City Water Company – Docket No. W-02113A-07-0551

Arizona-American Water Company - Docket No. W-01303A-08-0227

Residential Utility Consumer Office For Years 2000 To Present (cont'd)

Arizona Water Company - Docket No. W-01445A-08-0440

Far West Water & Sewer Company - WS-03478A-08-0608

Rio Rico Utilities, Inc. - WS-02676A-08-09-0257

Bella Vista Water Company – Docket No. W-02465A-09-0411

Georgia Public Service Commission For Years 1985 – 1991

Atlanta Gas Light Company

Georgia Power Company

Atlanta Gas Light Company (Management Audit)

Georgia Power Company

Trenton Telephone Company

Fairmount Telephone Company

Ellijay Telephone Company

GTE, Inc.

ALL-TEL Telephone Company

Citizens Utilities Co.

Ball Ground Telephone Company

Lanett Telephone Company

Brantley Telephone Company

Blue Ridge Telephone Company

Waverly Hall Telephone Company

St. Marys Telephone Company

Darien Telephone Company

Statesboro Telephone Company

Statesboro Telephone Co-op

Wilkes Telephone Company

RUCO EXHIBIT 1

GOLDER RANCH FIRE DISTRICT

Community Risk Prevention Division

Helping to make our community a better, safer place to live!

September 2003

Jim Morrison, Vice President Construction
D.R. Horton Homes
5255 E. Williams Circle
Suite 1030
Tucson, Arizona 85711

RE: Fire Code Review of Eagle Crest Ranch Development

Dear Mr. Morrison,

There have been recent discussions regarding some Fire Code deficiencies within the Eagle Crest Ranch Development. It is my intention to strive for fire code compliance and continue the good relations between Golder Ranch Fire District and D.R. Horton Homes. The two main issues at hand are as follows; fire flow requirements in relation to dwelling unit square footage, insufficient emergency secondary access. On the final plat for phase 2, I have also identified a concern regarding access for two separate cul-de-sacs with over 25 dwelling units each.

I. Fire Flow

A. **UFC Appendix III-A / IFC Appendix B – Section 5.1 One- and Two-Family Dwellings** - The minimum fire flow and flow duration requirements for one- and two-family dwellings having a fire area which does not exceed 3,600 square feet shall be 1,000 gallons per minute. Fire flow and flow duration for dwellings having a fire area in excess of 3,600 square feet shall not be less than that specified in UFC Table A-III-A-1. **Exception** – A reduction of 50 percent, as approved, is allowed when the building is provided with an approved automatic sprinkler system.

B. **UFC Appendix III-A – Section 4 Fire Area** - Defined as the total floor area of all floor levels within the exterior walls, and under horizontal projections of a roof of a building except as modified in Section 4. **Area Separation** – Portions of a building which are separated by one or more four-hour area separation walls constructed in accordance with the Building Code, without openings and provided with a 30-inch parapet, are allowed to be considered as separate fire areas.

C. **Horizontal Projections of a Roof** – GRFD interpretation and clarification with the latest editions of the fire code - Covered patios and porches that are not open on two or more sides are also considered as Fire Area for defining fire flow requirements.

D. **Garages** – Garages are included as Fire Area for defining fire flow requirements.

E. **Fire Area Exceeding 3,600 Square Feet** – The next step in Table A-III-A-1 is 1,750 gallons per minute for buildings not exceeding 4,800 square feet.

F. **Water Development Plans** – The approved Water Development Plans were approved for 1,000 gpm fire flow and have notation that dwelling units exceeding 3,600 square feet in fire area shall have an automatic fire sprinkler system installed.

G. **Situation** – The "*Kopopelli*" model consists of 3,682 square feet plus a 652 square foot garage and covered porches/patios open on two or more sides for a total of 4,334 square feet fire area. The "*Windsong*" model consists of 2,998 square feet plus a 676 square foot garage and covered porches/patios open on two or more sides for a total of 3,674 square feet fire area. Both of these models exceed 3,600 square feet and are required to have an automatic sprinkler system installed. D.R. Horton Homes has constructed and completed five (5) dwelling units that exceed 3,600 square feet in fire area, lots 147, 157, 162, 166, and 191. An automatic fire sprinkler system has not been installed in these dwelling units. A sixth dwelling unit exceeding 3,600 square feet is currently under construction, lot 193. An approved automatic sprinkler system has been installed for lot 193. Future lots might be sold and built upon with dwelling units exceeding 3,600 square feet.

H. **Proposed Solution** – Jim Morrison, D.R. Horton Homes, has expressed the desire of D.R. Horton Homes to not have to install automatic sprinkler systems in the homes exceeding 3,600 square feet and has proposed to increase the available fire flow to 1,500 gallons per minute. Westland Resources has modeled the existing water system and submitted documentation that the system could handle an increase of 500 gpm.

I. Dwelling units exceeding 3,600 square feet but not exceeding 4,800 square feet would require 1,750 gpm by Table A-III-A-1. Chief Fink and Fire Marshal Schoon have reviewed the situation, and due to an overall 500 gpm improvement for the entire development, agreed to allow the dwelling units to be constructed up to 4,800 in fire area, if 1,500 gpm is available.

II. Secondary Access

A. **UFC 1998 Supplement / IFC Appendix D**– Planned Area Developments where the number of dwelling units exceeds 25 shall be provided with separate and approved fire apparatus access roads. Exception – Where all dwelling units are protected by approved automatic sprinkler systems, access from two directions shall not be required. **Section 503.1.2 Additional access.** The code official is authorized to require more than one fire apparatus access road based on the potential for impairment of a single road by vehicle congestion, condition of terrain, climatic conditions, or other factors that could limit access.

B. **Situation** - The Development Plan was shown with two main access points; these being from Oracle Road onto Eagle Crest Boulevard, and from SaddleBrooke Boulevard onto Eagle Crest Boulevard. The SaddleBrooke Boulevard access point would not be installed until such time that the commercial properties on the Northwest corner of the development were started. The development has more than 500 dwelling units planned. The majority of dwelling units were further identified to be accessible from a single main roadway, Eagle Heights Drive. The developer agreed to install a secondary access point adjacent to lot 148 that leads to Edwin Road and it would be gated to allow for emergency use only. Any locking mechanism shall be approved by GRFD and adhere to the standard for approved key boxes of locking mechanisms. The required unobstructed width of fire apparatus access roads is 20 feet. The standard for emergency fire apparatus roads is 14 feet.

C. **Problem** – The secondary access has been completed. The gate is currently not locked. The gate is obstructed by a three foot high dirt and rock barrier placed between Edwin Road and the gate. The gate width is 14 feet; however, the access consistently narrows down to 9 feet wide as it meets with the development roadway adjacent to lot 148. This secondary access is unusable and does not meet the standard.

D. **Solution** – Correct the width deficiency, remove the dirt and rock barrier, and install a Knox Lock. A Knox Lock Form will be provided.

III. Long, Dead-End Roads with Single Point of Access

A. **UFC 1998 Supplement / IFC Appendix D** – Developments of one- or two family dwellings where the number of dwelling units exceeds 30 shall be provided with a minimum of two separate and approved fire apparatus access roads. **Exception:** Where all dwelling units are protected by approved residential sprinkler systems, access from two directions may not be required. **Section 503.1.2 Additional Access.** The code official is authorized to require more than one fire apparatus access road based on the potential for impairment of a single road by vehicle congestion, condition of terrain, climatic conditions, or other factors that could limit access.

B. **Situation** – The latest Final Plat GRFD has reviewed shows two long dead-end cul-de-sacs with a single point of access for each one. One of these roadways, Diamond Bay Drive, serves 104 lots and the other, Mountain Shadow Drive, serves 45 lots.

C. **Solution** - A second means of access shall be provided for each area or all dwelling units on these two points of access shall be constructed with an approved automatic sprinkler system.

RUCO EXHIBIT 2

ORIGINAL

MEMORANDUM

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Arizona Corporation Commission
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TO: Docket Control Center

FROM: Steven M. Olea
Director
Utilities Division

DATE: September 2, 2010

RE: COMPLIANCE ITEM FOR DECISION NO. 69404 - IN THE MATTER OF THE APPLICATION OF GOODMAN WATER COMPANY FOR A RATE INCREASE (DOCKET NO. W-02500A-06-0281)

Introduction

On April 16, 2007, the Commission granted Goodman Water Company ("Company") a rate increase per Decision No. 69404. The Decision ordered:

> *"...Goodman Water Company shall file a hook-up fee tariff with Docket Control, as a compliance item in this Docket, for Staff's review by July 31, 2007."*

Decision No. 69404, Findings of Fact No. 68, stated that in the rate proceeding no party recommended the hook-up fee matter and that the concept of the hook-up fee should be explored and the Company be directed to file a proposed hook-up fee tariff for Staff review.

Company's Filing

On July 31, 2007, the Company filed a hook-up fee ("HUF") tariff under a new docket number, W-02500A-07-0452. This new docket number was issued in error and was administratively closed and the HUF tariff filing was placed in W-02500A-06-0281 as a compliance matter.

In its filing, the Company proposed capital expenditure totaling $940,000 for a new Well #3 and related equipment, including engineering and contingency. The Company further proposed that the proportion of construction costs to be funded by the HUF tariff is 40 percent. As a result, the Company proposed a HUF starting at $500 for a 5/8 x 3/4-inch meter and graduated for larger meter sizes.

Staff's Review

According to the Company's Annual Report, the Company's water system consists of two wells (totaling 1,240 GPM), two storage tanks (totaling 930,000 gallons) and a distribution

system serving 597 customers as of December 2007. Based on these plant capacities, this system can currently serve approximately 1,800 customers.

In its filing, the Company proposed capital expenditure totaling $940,000 for a new Well #3 and related equipment, including engineering and contingency. Through data requests to the Company, Staff discovered that the capital plant and expenditure was not for a new Well #3, but actually for a Water Plant No. 3 site consisting of a 340,000 gallon storage tank and a booster system that will serve only a portion of the water system. Based on this finding, Staff has determined that the proposed Water Plant No. 3 would not meet the HUF tariff requirements because this water plant site would not benefit the entire water system. As a result, Staff concludes that this Company is not a good candidate for a HUF Tariff.

Staff's Recommendation

Staff recommends that the Commission not authorize a HUF tariff for this Company because the proposed water facilities related to the requested HUF Tariff will not benefit the entire water system. In addition, Staff concludes that the water system has sufficient capacity to meet the customer growth through 2019.

SMO:MSJ:lhm

Originator: Marlin Scott, Jr.

Service List for: Goodman Water Company
Docket No. W-02500A-06-0281

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RUCO EXHIBIT 3

ORIGINAL

BEFORE THE ARIZONA CORPORATION COMMISSION

MIKE GLEASON
Chairman

WILLIAM A. MUNDELL
Commissioner

JEFF HATCH-MILLER
Commissioner

KRISTIN K. MAYES
Commissioner

GARY PIERCE
Commissioner

Arizona Corporation Commission
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DOCKET CONTROL

IN THE MATTER OF THE APPLICATION OF GOODMAN WATER COMPANY FOR REVIEW AND APPROVAL OF PROPOSED HOOK-UP FEE TARIFF

DOCKET NO.W-02500A-07-0281

APPLICATION

In compliance with Decision No. 69404, dated April 16, 2007, Goodman Water Company ("Goodman") submits for Staff's review this proposed Hook-Up Fee Tariff. The proposed Hook-Up Fee Tariff and related hook-up fees would be applicable to new customer connections to Goodman's system. The capital expenditures related to the proposed hook-up fees pertain to Goodman's construction requirements for the 2008-2011 time period. The anticipated new customer growth during this period is 724 new customer connections. The off-site facilities in question include a well #3 and related equipment and engineering. The proportion of anticipated construction costs proposed to be funded by the proposed hook-up fees is 40%.

Attached to this Application as Exhibit "A" is a schedule setting forth the assumptions and estimated future capital expenditures upon which the proposed hook-up fees are based. Exhibit

"A" also sets forth by meter size the amount of proposed hook-up fee applicable to each meter size, as well as the or percentage of anticipated new growth each meter size represents. Attached to this Application as Exhibit "B" is a copy of a proposed Hook-Up Fee Tariff.

Goodman Water Company requests that the Commission review the proposed Hook-Up Fee Tariff and hook-up fees which are the subject of this Application and issue an order approving the tariff and related hook-up fees.

RESPECTFULLY SUBMITTED this 31st day of July, 2007.

By: _____

Michael McNulty
Michael Hallam
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Tucson, Arizona 85701-1611
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Attorneys for Goodman Water Company

ORIGINAL and thirteen (13) copies of the foregoing filed this 31st day of July, 2007, with:

Arizona Corporation Commission
Docket Control – Utilities Division
1200 W. Washington Street
Phoenix, Arizona 85007

COPY of the foregoing hand-delivered this 31st day of July, 2007, to:

Jane L. Rodda, Administrative Law Judge
Hearing Division
Arizona Corporation Commission
1200 W. Washington Street
Phoenix, Arizona 85007

Christopher C. Kempley, Chief Counsel
Legal Division
Arizona Corporation Commission
1200 W. Washington Street
Phoenix, Arizona 85007

Ernest G. Johnson, Director
Utilities Division
Arizona Corporation Commission
1200 W. Washington Street
Phoenix, Arizona 85007

Jayne Williams

EXHIBIT A

Goodman Water Company
Computation of Off-Site Facilities Hook-up Fee (HUF)

Exhibit A

Line No.							
1							
2	Off-Site Capital Expenditure Requirements 2008-2011						
3	Well # 3 and related equipment including engineering and contingency					$	940,000
4							
5							
6							
7	Total [1]					$	940,000
8							
9	Anticipated Customer Growth[1]	724					
10							
11	Computation of Equivalent 5/8 Inch Meters						
12							
13		Portion of	Projected	Meter Flow	Equivalent		
14	Meter Size	Anticipated Growth	Growth	Factor	5/8 Inch Meters		
15	5/8 Inch	98.90%	716	1.0	716		
16	3/4 Inch	0.00%		1.5	-		
17	1 Inch	0.55%	4	2.5	10		
18	1 1/2 Inch	0.00%		5.0	-		
19	2 Inch	0.55%	4	8.0	32		
20	3 inch	0.00%		16.0	-		
21	4 Inch	0.00%		25.0	-		
22	6 Inch	0.00%		30.0	-		
23		100.00%	724		758		
24	Total Equivalent 5/8 Inch Meters [2]						758
25							
26	Construction Costs Expected to be Funded by HUF (Percent times [1] equals [3])				40%	$	376,000
27							
28	HUF for Equivalent 5/8 Inch Metered Customer (rounded down) ([3] divided by [2] equals [4])					$	500
29							
30	Proposed Off-site Facilities Hook-up Fees by Meter Size						
31							
32	Meter Size						
33	5/8 Inch	$	500	[4]			
34	3/4 Inch	$	750	Scaled on 5/8 meter flow			
35	1 Inch	$	1,250	Scaled on 5/8 meter flow			
36	1 1/2 Inch	$	2,500	Scaled on 5/8 meter flow			
37	2 Inch	$	4,000	Scaled on 5/8 meter flow			
38	3 inch	$	8,000	Scaled on 5/8 meter flow			
39	4 Inch	$	12,500	Scaled on 5/8 meter flow			
40	6 Inch	$	15,000	Scaled on 5/8 meter flow			
41							
42	[1] Buildout of current certificated area is 958 customers. There are currently 500 customers. Expected addtions for 70 acres of commericial property						
43	within the existing CC&N is 258 - 5/8 inch metered customers, 4 - 1 inch metered customers, and 4 - 2 inch metered customers.						

EXHIBIT B

TARIFF SCHEDULE

Utility: Goodman Water Company
Docket No.: W-02500A-07
Phone No.: _____

Tariff Sheet No.: Page 1 of 3
Decision No.: _____
Effective: _____

OFF-SITE WATER FACILITIES HOOK-UP FEE

I. Purpose and Applicability

The purpose of the Off-Site Hook-Up Fees payable to Goodman Water Company ("Company") pursuant to this tariff is to equitably apportion the costs of constructing additional facilities to provide water production, storage and appropriate pressure among all new Service Connections.

These fees are applicable to all new Service Connections established after the effective date of this tariff. The fees are one-time charges and are payable as a condition to the Company's establishment of service, as more particularly provided below.

II. Definitions

Unless the context otherwise requires, the definitions set forth in R14-2-401 of the Arizona Corporation Commission's ("Commission") rules and regulations governing water utilities shall apply in interpreting this tariff schedule.

"Applicant" means any party entering into an agreement with Company for the installation of water facilities to serve new service connections.

"Company" means Goodman Water Company.

"Main Extension Agreement" means any agreement in which an Applicant agrees to advance the costs of the installation of water facilities to the Company to serve new service connections, or install water facilities to serve new service connections and transfer ownership of such water facilities to the Company, which agreement shall require the approval of the Commission (same as line extension agreement).

"Off-Site Facilities" means wells, storage tanks and related appurtenances necessary for proper water system operation, including engineering and design costs. Off-Site Facilities may also include booster pumps, pressure tanks, transmission mains and related appurtenances necessary for proper water system operation, if these facilities are not for the exclusive use of an Applicant and these facilities will benefit the entire water system.

"Service Connection" means and includes all service connections for single-family residential, commercial, industrial, or other uses, regardless of meter size.

TARIFF SCHEDULE

Utility: Goodman Water Company
Docket No.: W-02500A-07
Phone No.: _____

Tariff Sheet No.: Page 2 of 3
Decision No.: _____
Effective: _____

III. Off-Site Hook-Up Charges

Each new Service Connection shall pay the total off-site facilities hookup fee, derived from the following table:

OFF-SITE FACILITIES HOOKUP FEE TABLE	
Meter Size	**Total Fee**
5/8"	$500
¾"	$750
1"	$1250
1½"	$2500
2"	$4000
3"	$8000
4"	$12,500
6" or larger	$15,000

IV. Terms and Conditions

(A) Assessment of One Time Hook-Up Charge: The hook-up fee may be assessed only once per Service Connection, or lot within a platted subdivision (similar to meter and service line installation charges). However, this provision does not exempt from the hook-up fee, any newly created parcel(s) which are the result of further subdivision of a lot or land parcel and which do not have a Service Connection.

(B) Use of Off-Site Hook-Up Fee: Hook-Up Fees may only be used to pay for the capital items of Off-Site Facilities or for repayment of loans obtained for installation of Off-Site Facilities. Off-Site Hook-Up Fees shall not be used for repairs, maintenance, plant replacements, or operational purposes.

(C) Time of Payment:

(1) In the event that an Applicant is required to enter into a Main Extension Agreement, whereby the Applicant agrees to advance the costs of installing mains, valves, fittings, hydrants and other on-site improvements in order to extend service in accordance with R-14-2-406(B), payment of the fee(s) required hereunder shall be made by the Applicant within 15 calendar days after receipt of notification from the Company that the Utilities Division of the Commission has approved the Main Extension Agreement in accordance with R14-2-406(M).

(2) In the event that an Applicant is not required to enter into a Main Extension Agreement, the fee(s) hereunder shall be due and payable at the time the meter and service line installation fee is due and payable.

(D) Failure to Pay Charges; Delinquent Payments: Under no circumstances will the Company set a meter or otherwise allow service to be established if the Applicant has not paid in full all charges as provided by this Off-Site Hook-Up Fee Tariff.

(E) Off-Site Hook-Up Fee Non-refundable: The amounts collected by the Company pursuant to the Off-Site Hook-Up Fee Tariff shall be non-refundable contributions in aid of construction.

(F) Use of Charges Received: All funds collected by the Company as off-site hook-up fees, shall be deposited into a separate interest bearing trust account and used solely for the purposes of paying for the costs of Off-Site Facilities, including repayment of loans obtained for the installation of Off-Site Facilities that will benefit the entire water system.

(G) Off-Site Hook-Up Fees In Addition to Other Charges: The Off-Site Hook-Up Fees shall be in addition to any costs associated with a Main Extension Agreement for on-site facilities, and are in addition to the amounts to be advanced pursuant to charges authorized under other sections of this tariff.

(H) Disposition of Excess Funds: After all necessary and desirable Off-Site Facilities are constructed utilizing funds collected pursuant to the Off-Site Hook-Up Fee Tariff or the Off-Site Hook-Up Fee Tariff has been terminated by order of the Commission, any funds remaining in the trust shall be refunded. The manner of the refund shall be determined by the Commission at the time a refund becomes necessary.

(I) Fire Flow Requirements: In the event an Applicant for service has fire flow requirements that require the construction or installation of additional facilities whose costs are beyond the scope of those facilities costs provided for in the Company's current fees and charges, the Company may require the Applicant to install (as a non-refundable contribution) such additional facilities as are required to meet those fire flow requirements, in addition to the Off-Site Hook-Up Fee.

RUCO EXHIBIT 4

Appendix "A"

Planning Demand Criteria

Platted EDU's = 959

Residential person per housing unit (pphu) = 2.8

Demand per person = 125 gallons per capita per day (gpcd)

Planned Commercial = 83 Acres

Demand per Acre = 1,400 gallons per acre per day (gpad)

Commercial EDU's = 83 Acres x 1,400 gpad = 116,200 gallons / 125 gpcd / 2.8 pphu = 332 EDU's

Total EDU's at Buildout = 959 + 332 = 1,291

Storage Capacity Criteria (from master plan), ADD + fire flow plus 15%

Fire Flow = 2,000 gpm for 2 hours = 240,000 gallons

Well Capacity Criteria PDD

Booster Capacity = PDD + FF

Water Plant No. 1

Total Storage = 400,000 gallons

Fire Flow = 1,000 gpm for 2 hours (residential only) = 120,000 gallons

Available Storage = 280,000 gallons, 800 edus

Well No. 1 = 500 gpm, 1029 edu's

J- Zone Booster Station = 2,000 gpm

Well No. 2

800 gpm, 1646 edu's

Water Plant No. 3

Total Storage = 530,000 gallons

Storage Over size for future development = 190,000 gallons

Fire flow = 1,000 gpm for 2 hours = 120,000 gallons

Available Capacity = 220,000 gallons, 629 edu's

K- Zone Booster Capacity = 1,200 gpm

Water Plant No. 4

K-Zone Booster Station = 1,100 gpm

RUCO EXHIBIT 5

Goodman Water Company
Utility Plant Per Customer

Line No.	Acct. No.	Description	2002 Original Cost	2002 Per Customer Cost Per Average Year Customer Count	2002 Per Customer Cost Per Year End Customer Count	2003 Original Cost	2003 Per Customer Cost Per Average Year Customer Count	2003 Per Customer Cost Per Year End Customer Count	2004 Original Cost	2004 Per Customer Cost Per Average Year Customer Count	2004 Per Customer Cost Per Year End Customer Count
1	301	Organization	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$
2	302	Franchises	-	-	-	-	-	-	-	-	
3	303	Land & Land Rights	-	-	-	-	-	-	-	-	
4	304	Structures and Improvements	-	-	-	-	-	-	1,343	5	4
5	307	Wells and Springs	-	-	-	233,767	1,527	1,157	233,767	786	632
6	311	Pumping Equipment	-	-	-	542,915	3,547	2,688	582,420	1,959	1,574
7	320	Water Treatment Equipment	-	-	-	-	-	-	2,161	7	6
8	330	Distribution Reservoirs & Standpipes	-	-	-	251,477	1,643	1,245	251,476	846	680
9	331	Transmission and Distribution Mains	-	-	-	402,268	2,628	1,991	675,939	2,274	1,827
10	333	Services	94,596	4,487	1,332	160,177	1,046	793	212,697	716	575
11	334	Meter and Meter Installations	7,757	368	109	23,735	155	118	40,660	137	110
12	335	Hydrants	-	-	-	24,975	163	124	43,565	147	118
13	336	Backflow Prevention Devices	-	-	-	-	-	-	-	-	
14	339	Other Plant and Misc. Equipment	-	-	-	-	-	-	-	-	
15	340	Office Furniture and Equipment	-	-	-	-	-	-	-	-	
16	341	Transportation Equipment	-	-	-	-	-	-	-	-	
17	343	Tools, Shop and Garage Equipment	-	-	-	-	-	-	-	-	
18	344	Laboratory Equipment	-	-	-	-	-	-	-	-	
19	345	Power Operated Equipment	-	-	-	-	-	-	-	-	
20	346	Communication Equipment	-	-	-	-	-	-	-	-	
21	347	Miscellaneous Equipment	-	-	-	-	-	-	-	-	
22	348	Other Tangible Plant	-	-	-	-	-	-	-	-	
23		**Totals**	$ 102,353	$ 4,855	$ 1,442	$ 1,639,314	$ 10,709	$ 8,115	$ 2,044,028	$ 6,876	$ 5,524
24		Average and Year End Number of Customers		21	71		153	202		297	370
25		$ Increase for Average and Year End Number of Customers from Previous Yr.					5,854	6,674		(3,832)	(2,591)
26		% Increase for Average and Year End Number of Customers from Previous Yr.					121%	463%		-36%	-32%
27		Increase in Number of Test Year End Customers thru 2010									

Goodman Water Company
Utility Plant Per Customer

Line No.	Acct. No.	Description	2005 Original Cost	2005 Per Customer Cost Per Average Year Customer Count	2005 Per Customer Cost Per Year End Customer Count	2006 Original Cost	2006 Per Customer Cost Per Average Year Customer Count	2006 Per Customer Cost Per Year End Customer Count	2007 Original Cost	2007 Per Customer Cost Per Average Year Customer Count	2007 Per Customer Cost Per Year End Customer Count
1	301	Organization	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
2	302	Franchises	106,028	236	221	110,947	230	229	117,487	214	203
3	303	Land & Land Rights	-	-		-	-		-	-	
4	304	Structures and Improvements	11,064	25	23	11,064	23	23	11,064	20	19
5	307	Wells and Springs	386,591	862	807	386,591	802	799	386,591	704	668
6	311	Pumping Equipment	686,993	1,532	1,434	686,993	1,426	1,419	689,956	1,256	1,192
7	320	Water Treatment Equipment	11,053	25	23	11,319	23	23	15,947	29	28
8	330	Distribution Reservoirs & Standpipes	294,459	657	615	294,459	611	608	366,809	668	634
9	331	Transmission and Distribution Mains	734,126	1,637	1,533	734,145	1,524	1,517	1,419,239	2,584	2,451
10	333	Services	146,541	327	306	146,543	304	303	289,895	528	501
11	334	Meter and Meter Installations	57,012	127	119	57,282	119	118	75,641	138	131
12	335	Hydrants	83,174	186	174	83,180	173	172	126,384	230	218
13	336	Backflow Prevention Devices	-	-		-	-		-	-	
14	339	Other Plant and Misc. Equipment	152,473	340	318	165,718	344	342	166,477	303	288
15	340	Office Furniture and Equipment	-	-		-	-		-	-	
16	341	Transportation Equipment	-	-		-	-		-	-	
17	343	Tools, Shop and Garage Equipment	-	-		-	-		-	-	
18	344	Laboratory Equipment	-	-		-	-		-	-	
19	345	Power Operated Equipment	-	-		-	-		-	-	
20	346	Communication Equipment	-	-		-	-		-	-	
21	347	Miscellaneous Equipment	-	-		-	-		-	-	
22	348	Other Tangible Plant	-	-		-	-		-	-	
23		**Totals**	$ 2,669,514	$ 5,954	$ 5,573	$ 2,688,241	$ 5,579	$ 5,554	$ 3,665,490	$ 6,674	$ 6,331
24		Average and Year End Number of Customers		448	479		482	484		549	579
25		$ Increase for Average and Year End Number of Customers from Previous Yr.		(922)	49		(375)	(19)		1,094	777
26		% Increase for Average and Year End Number of Customers from Previous Yr.		-13%	1%		-6%	0%		20%	14%
27		Increase in Number of Test Year End Customers thru 2010									

Goodman Water Company
Utility Plant Per Customer

Line No.	Acct. No.	Description	2008 Original Cost	2008 Per Customer Cost Per Average Year Customer Count	2008 Per Customer Cost Per Year End Customer Count	2009 Original Cost	2009 Per Customer Cost Per Average Year Customer Count	2009 Per Customer Cost Per Year End Customer Count	2009 Original Cost	2010 Per Customer Cost Per Average Year Customer Count	2010 Per Customer Cost Per Year End Customer Count
1	301	Organization	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
2	302	Franchises	127,103	210	208	127,103	204	204	127,103	204	204
3	303	Land & Land Rights	494,159	817	807	494,159	791	793	494,159	791	793
4	304	Structures and Improvements	182,570	302	298	182,570	292	293	182,570	292	293
5	307	Wells and Springs	386,591	639	632	386,591	619	621	386,591	619	621
6	311	Pumping Equipment	965,499	1,595	1,578	968,654	1,551	1,555	968,654	1,551	1,555
7	320	Water Treatment Equipment	15,947	26	26	15,947	26	26	15,947	26	26
8	330	Distribution Reservoirs & Standpipes	836,894	1,383	1,367	836,891	1,340	1,343	836,891	1,340	1,343
9	331	Transmission and Distribution Mains	1,593,998	2,634	2,605	1,593,998	2,552	2,559	1,593,998	2,552	2,559
10	333	Services	386,946	639	632	386,946	620	621	386,946	620	621
11	334	Meter and Meter Installations	84,939	140	139	90,087	144	145	90,087	144	145
12	335	Hydrants	161,737	267	264	161,737	259	260	161,737	259	260
13	336	Backflow Prevention Devices	-	-		-	-		-	-	-
14	339	Other Plant and Misc. Equipment	166,477	275	272	187,582	300	301	187,582	300	301
15	340	Office Furniture and Equipment	-	-		-	-		-	-	-
16	341	Transportation Equipment	-	-		-	-		-	-	-
17	343	Tools, Shop and Garage Equipment	-	-		-	-		-	-	-
18	344	Laboratory Equipment	-	-		-	-		-	-	-
19	345	Power Operated Equipment	-	-		-	-		-	-	-
20	346	Communication Equipment	-	-		-	-		-	-	-
21	347	Miscellaneous Equipment	-	-		-	-		-	-	-
22	348	Other Tangible Plant	-	-		-	-		-	-	-
23		**Totals**	$ 5,402,860	$ 8,928	$ 8,828	$ 5,432,265	$ 8,697	$ 8,720	$ 5,432,265	$ 8,697	$ 8,720
24		Average and Year End Number of Customers		605	612		625	623		649	666
25		$ Increase for Average and Year End Number of Customers from Previous Yr.		2,254	2,497		(230)	(109)		-	-
26		% Increase for Average and Year End Number of Customers from Previous Yr.		34%	39%		-3%	-1%		0%	0%
27		Increase in Number of Test Year End Customers thru 2010									6.90%

RUCO EXHIBIT 6

THE FREEZE & WATER DELIVERY TO THE CUSTOMERS OF GOODMAN WATER COMPANY

If you have been in town, it will come as no surprise we at Eagle Crest Ranch have experienced record or near record low temperatures over several nights. The "hard" freezes with lows in the mid and upper teens and high winds have caused significant damage to two of four Company's water plants.

In spite of the extensive damage, Goodman Water continued to deliver water to our customers without interruption. It was only because of the storage capacity provided by our recently completed reservoir in the northeast corner of Eagle Crest that Goodman Water experienced no system-wide interruption in water delivery. This situation is one example of why the regulatory agencies and sound engineering in system design required that reservoir.

A second key factor in allowing Goodman Water to continue in operation was the prompt response by Smyth Management Services. When our electronic monitoring system first detected signs of trouble, Smyth immediately dispatched repair crews to Eagle Crest. These people worked through the night in the bitter cold to repair or work around damaged components and to manually operate valves normally electronically controlled.

With the sound design of our water system and prompt response of our operator, to the best of our knowledge, no customer went without water. We sincerely hope that the worst of the winter weather is over, but should it happen again we are ready to respond in the same responsible fashion.

Goodman Water Company
Docket No. W-02500A-10-0382
Test Year Ended December 31, 2009

Direct Schedules

TABLE OF CONTENTS TO TJC DIRECT SCHEDULES

REVENUE REQUIREMENT

LINE NO.	DESCRIPTION	(A) COMPANY OCRB/FVRB COST	(B) RUCO OCRB/FVRB COST
1	Fair Value Rate Base	$ 2,402,221	$ 1,729,190
2	Adjusted Operating Income (Loss)	73,883	160,650
3	Current Rate Of Return (L2 / L1)	3.08%	9.29%
4	Required Operating Income (L5 X L1)	$ 253,194	$ 135,754
5	Required Rate Of Return On Fair Value Rate Base	10.54%	7.85%
6	Operating Income Deficiency (L4 - L2)	$ 179,311	$ (24,896)
7	Gross Revenue Conversion Factor (RLM-1, Pg 2)	1.6254	1.4460
8	Increase In Gross Revenue Requirement (L7 X L6)	$ 291,454	$ (36,000)
9	*Adjusted Test Year Revenue*	572,751	580,110
10	Proposed Annual Revenue (L8 + L9)	864,205	544,110
11	Required Percentage Increase In Revenue (L8 / L9)	50.89%	-6.21%
12	Rate Of Return On Common Equity	11.00%	9.00%

References:
Column (A): Company Schedules A-1, B-1, and C-1
Column (B): RUCO Schedule TJC-1, page 2, TJC-2, TJC-8, and TJC-19

REVENUE REQUIREMENT - CONT'D
GROSS REVENUE CONVERSION FACTOR

LINE NO.	DESCRIPTION	(A)	(B)	(C)	(D)
	CALCULATION OF GROSS REVENUE CONVERSION FACTOR:				
1	Revenue	1.0000			
2	Combined Federal And State Tax Rate (L10)	0.3085			
3	Subtotal (L1 + L2)	0.6915			
4	**Revenue Conversion Factor** (L1 / L3)	**1.4460**			
	CALCULATION OF EFFECTIVE TAX RATE:				
5	Operating Income Before Taxes (Arizona Taxable Income)	100.0000%			
6	Arizona State Income Tax Rate	6.9680%			
7	Federal Taxable Income (L5 - L6)	93.0320%			
8	Applicable Federal Income Tax Rate (Col. (D), L34)	25.6658%			
9	Effective Federal Income Tax Rate (L7 X L8)	23.8774%			
10	Combined Federal And State Income Tax Rate (L6 + L9)	30.8454%			
11	RUCO Required Operating Income (Sch. TJC-1, Col. (B), L4)	$ 135,754			
12	RUCO Adj'd T.Y. Oper'g Inc. (Loss) (Sch. TJC-1, Col. (B), L2)	160,650			
13	Required Increase In Operating Income (L11 - L12)		$ (24,896)		
14	Income Taxes On Recommended Revenue (Col. (D), L31)	$ 41,649			
15	Income Taxes On Test Year Revenue (Col. (D), L32)	52,753			
16	Required Increase In Revenue To Provide For Income Taxes (L14 - L15)		(11,104)		
17	Total Required Increase In Revenue (L13 + L16)		$ (36,000)		
	RUCO's CALCULATION OF INCOME TAX:			RUCO Recommended	
18	RUCO Proposed Revenue (Sch. TJC-1, Col. (B), L10)			$ 544,110	
	Less:				
19	Operating Expense Excluding Income Tax (TJC-8, Col. (E), L37 + L35)			366,707	
20	Synchronized Interest (Col. (C), L37)			42,378	
21	Arizona Taxable Income (L18 - L19 - L20)			$ 135,025	
22	Arizona State Income Tax Rate			6.9680%	
23	Arizona Income Tax (L21 X L22)				$ 9,409
24	Fed. Taxable Income (L21 - L23)			$ 125,617	
25	Fed. Tax On 1st Inc. Bracket ($1 - $50,000) @ 15%			$ 7,500	
26	Fed. Tax On 2nd Inc. Bracket ($50,001 - $75,000) @ 25%			6,250	
27	Fed. Tax On 3rd Inc. Bracket ($75,001 - $100,000) @ 34%			8,500	
28	Fed. Tax On 4th Inc. Bracket ($100,001 - $335,000) @ 39%			9,991	
29	Fed. Tax On 5th Inc. Bracket ($335,001 - $10M) @ 34%			-	
30	Total Federal Income Tax (L25 + L26 + L27 + L28 + L29)				$ 32,241
31	Combined Federal And State Income Tax (L23 + L30)				$ 41,649
32	RUCO Adj'd Test Year Combined Federal and State Income Tax (TJC-8, Col. (C), L22)				$ 52,753
33	RUCO Proposed Income Tax Adjustment (L31 - L32) (See TJC-8, Col. (D), L22)				$ (11,104)
34	Applicable Federal Income Tax Rate (Col. (D), L30 / Col. (C), L24)				25.67%
	CALCULATION OF INTEREST SYNCHRONIZATION:				
35	Rate Base (Sch. TJC-1, Col. (B), L1)			$ 1,729,190	
36	Weighted Avg. Cost Of Debt (Sch. TJC-19, Col. (C), L1)			2.45%	
37	Synchronized Interest (L35 X L36)			$ 42,378	

SUMMARY OF ORIGINAL COST RATE BASE ADJUSTMENTS

LINE NO.	DESCRIPTION	(A) COMPANY AS FILED OCRB/FVRB	(B) RUCO ADJUSTMENTS	(C) RUCO AS ADJUSTED OCRB/FVRB
1	Gross Utility Plant In Service	$ 5,453,761	$ (2,351,723)	$ 3,102,039
2	Accumulated Depreciation	(731,205)	312,033	(419,172)
3	Rounding	(1)	-	(1)
4	Net Utility Plant In Service (L1 + L2 + L3)	$ 4,722,556	$ (2,039,690)	$ 2,682,866
	Less:			
5	Advances In Aid Of Const.	$ (2,101,905)	$ 906,365	$ (1,195,540)
6	Contribution In Aid Of Const.	$ -	$ -	$ -
7	Accumulated Amortization Of CIAC	-	-	-
8	NET CIAC (L6 + L7)	$ -	$ -	$ -
9	Customer Meter Deposits	$ (83,087)	$ -	$ (83,087)
10	Customer Hydrant Meter Deposits	$ -	$ -	$ -
11	Accumulated Deferred Income Taxes	$ (135,342)	$ 460,294	$ 324,952
12	Unamortized Finance Charges	$ -	$ -	$ -
13	Deferred Regulatory Assets	$ -	$ -	$ -
14	Allowance For Working Capital	$ -	$ -	$ -
15	TOTAL RATE BASE (Sum L's 4, 5, 8, 9 Thru 14)	$ 2,402,221	$ (673,031)	$ 1,729,190

References:
Column (A): Company Schedule B-1, Page 1 And Workpapers Schedule E-1
Column (B): TJC-3, Columns (B) Thru (G)
Column (C): Column (A) + Column (B)

Goodman Water Company
Docket No. W-02500A-10-0382
Test Year Ended December 31, 2009

Schedule TJC-3
Direct Schedules
Page 1 of 1

ORIGINAL COST RATE BASE ADJUSTMENTS

LINE NO.	DESCRIPTION	(A) COMPANY AS FILED OCRB/FVRB	(B) ADJ # 1 TEST YR PLT & ACC DEP	(C) ADJ # 2 EXCESS CAPACITY	(D) ADJ # 3 AIAC	(E) ADJ # 4 DEFERRED INCOME TAX	(F) INTENT'NLY LEFT BLANK	(G) INTENT'NLY LEFT BLANK	(H) RUCO ADJ'TED OCRB/FVRB
1	Gross Utility Plant In Service	$ 5,453,761	$ -	$ (2,351,723)	$ -	$ -	$ -	$ -	$ 3,102,039
2	Accumulated Depreciation	(731,205)	(3,268)	315,301	-	-	-	-	(419,172)
3	Rounding	(1)							(1)
4	Net Utility Plant In Service (L1 + L2 + L3)	$ 4,722,556	$ (3,268)	$ (2,036,422)	$ -	$ -	$ -	$ -	$ 2,682,866
	Less:								
5	Advances In Aid Of Const.	$ (2,101,905)	$ -	$ -	$ 906,365	$ -	$ -	$ -	$ (1,195,540)
6	Contribution In Aid Of Const.	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
7	Accumulated Amortization Of CIAC	-	-	-	-	-	-	-	-
8	NET CIAC (L6 + L7)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
9	Customer Meter Deposits	$ (83,087)	$ -	$ -	$ -	$ -	$ -	$ -	$ (83,087)
10	Customer Hydrant Meter Deposits	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
11	Accumulated Deferred Income Taxes	$ (135,342)	$ -	$ -	$ -	$ 460,294	$ -	$ -	$ 324,952
12	Unamortized Finance Charges	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
13	Deferred Regulatory Assets	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
14	Allowance For Working Capital	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
15	TOTAL RATE BASE (Sum L's 4, 5, 8, 9 Thru 14)	$ 2,402,221	$ (3,268)	$ (2,036,422)	$ 906,365	$ 460,294	$ -	$ -	$ 1,729,190

References:

Column (A): Company Schedule B-1, Page 1 And Workpapers Schedule E-1
Column (B): Adjustment No. 1 - RUCO Adjustment To Test-Year GPIS And Acc. Dep. (See Testimony and Schedule TJC-4(2009))
Column (C): Adjustment No. 2 - RUCO Adjustment for Excess Capacity (See Testimony)
Column (D): Adjustment No. 3 - RUCO Adjustment to AIAC for Excess Capacity (See Testimony)
Column (E): Adjustment No. 4 - RUCO Adjustment To Deferred Income Taxes for Excess Capacity (See Testimony and Schedule TJC-7)
Column (F): Intentionally Left Blank
Column (G): Intentionally Left Blank
Column (H): Sum Of Columns (A), (B), (C), (D), (E), (F), & (G)

TEST YEAR PLANT SCHEDULES
PRIOR TEST YEAR ENDED SEPTEMBER 30, 2005

LINE NO.	ACCT. NO.	ACCOUNT NAME	(A) Deprec. Rate 10/1/2005 Thru 4/30/2007	(B) Deprec. Rate After 4/30/2007	(C) PER PRIOR DECISION NO. 69404 GROSS PLANT	(D) PER PRIOR DECISION NO. 69404 ACCUMULATED DEPRECIATION	(E) OCT - DEC 2005 PLANT ADDITIONS	(F) OCT - DEC 2005 PLANT ADJUSTMENTS	(G) OCT - DEC 2005 PLANT RETIREMENTS	(H) 2005 GROSS PLANT	(I) OCT - DEC 2005 DEPRE. EXPENSE	(J) DECEMBER 31 2005 ACCUMULATED DEPRECIATION BALANCE	(K) DECEMBER 31 2005 NET PLANT VALUE
1	301	Organization Cost	0.00%	0.00%	$ 104,528	$ -	$ 1,500	$ -	$ -	$ 106,028	$ -	$ -	$ 106,028
2	302	Franchise Cost	0.00%	0.00%	-	-	-	-	-	-	-	-	
3	303	Land and Land Rights	0.00%	0.00%	-	-	-	-	-	-	-	-	
4	304	Structures and Improvements	2.50%	3.33%	9,788	(306)	1,276	-	-	11,064	65	(372)	10,692
5	305	Collecting and Impounding Res.	2.50%	2.50%	-	-	-	-	-	-	-	-	
6	306	Lakes, Rivers, and Other Intakes	2.50%	2.50%	-	-	-	-	-	-	-	-	
7	307	Wells & Springs	2.50%	3.33%	386,591	(17,925)	-	-	-	386,591	2,416	(20,342)	366,249
8	308	Infiltration Galleries and Tunnels	2.50%	6.67%	-	-	-	-	-	-	-	-	
9	309	Supply Mains	2.50%	2.00%	-	-	-	-	-	-	-	-	
10	310	Power Generation Equipment	2.50%	5.00%	-	-	-	-	-	-	-	-	
11	311	Electric Pumping Equipmemt	2.50%	12.50%	686,993	(35,041)	-	-	-	686,993	4,294	(39,335)	647,657
12	320	Water Treatment Equipment	2.50%	3.33%	11,054	(345)	-	-	-	11,054	69	(415)	10,639
13	320.1	Water Treatment Plant	2.50%	3.33%	-	-	-	-	-	-	-	-	
14	320.2	Chemical Solution Feeders	2.50%	20.00%	-	-	-	-	-	-	-	-	
15	330	Dist. Reservoirs & Standpipe	2.50%	2.22%	294,460	(15,489)	-	-	-	294,460	1,840	(17,329)	277,131
16	330.1	Storage Tanks	2.50%	2.22%	-	-	-	-	-	-	-	-	
17	330.2	Pressure Tanks	2.50%	5.00%	-	-	-	-	-	-	-	-	
18	331	Trans. and Dist. Mains	2.50%	2.00%	628,673	(29,324)	122,779	-	-	751,452	4,313	(33,637)	717,815
19	333	Services	2.50%	3.33%	129,274	(5,679)	17,266	-	-	146,540	862	(6,541)	139,999
20	334	Meters	2.50%	8.33%	67,497	(2,310)	270	-	-	67,767	423	(2,733)	65,034
21	335	Hydrants	2.50%	2.00%	46,955	(2,090)	36,220	-	-	83,175	407	(2,497)	80,678
22	336	Backflow Prevention Devices	2.50%	6.67%	-	-	-	-	-	-	-	-	
23	339	Othere Plant and Misc. Equip.	2.50%	6.67%	-	-	152,473	-	-	152,473	476	(476)	151,997
24	340	Office Furniture and Fixtures	2.50%	6.67%	-	-	-	-	-	-	-	-	
25	340.1	Computers and Software	2.50%	20.00%	-	-	-	-	-	-	-	-	
26	341	Transportation Equipment	2.50%	20.00%	-	-	-	-	-	-	-	-	
27	342	Stores Equipment	2.50%	4.00%	-	-	-	-	-	-	-	-	
28	343	Tools and Work Equipment	2.50%	5.00%	-	-	-	-	-	-	-	-	
29	344	Laboratory Equipment	2.50%	10.00%	-	-	-	-	-	-	-	-	
30	345	Power Operated Equipment	2.50%	5.00%	-	-	-	-	-	-	-	-	
31	346	Communications Equipment	2.50%	10.00%	-	-	-	-	-	-	-	-	
32	347	Miscellaneous Equipment	2.50%	10.00%	-	-	-	-	-	-	-	-	
33	348	Other Tangible Plant	2.50%	10.00%	-	-	-	-	-	-	-	-	
34		Rounding			-	-	-	-	-	-	-	-	
35	**RUCO TOTAL WATER PLANT**				$ 2,365,811	$ (108,511)	$ 331,783	$ -	$ -	$ 2,697,594	$ 15,165	$ (123,676)	$ 2,573,918
37	Per Company Work Papers				$ 2,365,813	$ (108,509)	$ 331,783	$ -	$ -	$ 2,697,594	$ 15,165	$ (123,674)	$ 2,573,920
38	RUCO Increase/Decrease to GUPIS & Accum. Depre.				$ (2)	$ (2)	$ -	$ -	$ -	$ -	$ 0	$ (2)	$ (2)

References:
Columns (A), (B), (C), & (D): Per Decision No. 69404
Columns (E), (F), & (G): Company B-2 Schedules and Plant Additions' Workpapers
Column (H): Column (C) + Column (E), (F), & (G)
Column (I): RUCO's Depreciation Expense Formula
Column (J): Column (D) + Column (I)
Column (K): Column (H) + Column (J)

TEST YEAR PLANT SCHEDULES - CONT'D
YEAR ENDED DECEMBER 31, 2006

LINE NO.	ACCT. NO.	ACCOUNT NAME	(A) Deprec. Rate 10/1/2005 Thru 4/30/2007	(B) Deprec. Rate After 4/30/2007	(C) 2006 PLANT ADDITIONS	(D) 2006 PLANT ADJUSTMENTS	(E) 2006 PLANT RETIREMENTS	(F) 2006 GROSS PLANT	(G) 2006 RUCO CALCULATED ANNUAL DEP.	(H) DECEMBER 31 2006 ACCUMULATED DEPRECIATION BALANCE	(I) DECEMBER 31 2006 NET PLANT VALUE
1	301	Organization Cost	0.00%	0.00%	$ 4,920	$ -	$ -	$ 110,948	$ -	$ -	$ 110,948
2	302	Franchise Cost	0.00%	0.00%	-	-	-	-	-	-	-
3	303	Land and Land Rights	0.00%	0.00%	-	-	-	-	-	-	-
4	304	Structures and Improvements	2.50%	3.33%	-	-	-	11,064	277	(648)	10,415
5	305	Collecting and Impounding Res.	2.50%	2.50%	-	-	-	-	-	-	-
6	306	Lakes, Rivers, and Other Intakes	2.50%	2.50%	-	-	-	-	-	-	-
7	307	Wells & Springs	2.50%	3.33%	-	-	-	386,591	9,665	(30,006)	356,584
8	308	Infiltration Galleries and Tunnels	2.50%	6.67%	-	-	-	-	-	-	-
9	309	Supply Mains	2.50%	2.00%	-	-	-	-	-	-	-
10	310	Power Generation Equipment	2.50%	5.00%	-	-	-	-	-	-	-
11	311	Electric Pumping Equipmemt	2.50%	12.50%	-	-	-	686,993	17,175	(56,510)	630,482
12	320	Water Treatment Equipment	2.50%	3.33%	266	-	-	11,320	280	(694)	10,626
13	320.1	Water Treatment Plant	2.50%	3.33%	-	-	-	-	-	-	-
14	320.2	Chemical Solution Feeders	2.50%	20.00%	-	-	-	-	-	-	-
15	330	Dist. Reservoirs & Standpipe	2.50%	2.22%	-	-	-	294,460	7,362	(24,691)	269,769
16	330.1	Storage Tanks	2.50%	2.22%	-	-	-	-	-	-	-
17	330.2	Pressure Tanks	2.50%	5.00%	-	-	-	-	-	-	-
18	331	Trans. and Dist. Mains	2.50%	2.00%	-	-	-	751,452	18,786	(52,423)	699,028
19	333	Services	2.50%	3.33%	3	-	-	146,543	3,664	(10,204)	136,338
20	334	Meters	2.50%	8.33%	270	-	-	68,037	1,698	(4,430)	63,607
21	335	Hydrants	2.50%	2.00%	5	-	-	83,180	2,079	(4,576)	78,604
22	336	Backflow Prevention Devices	2.50%	6.67%	-	-	-	-	-	-	-
23	339	Othere Plant and Misc. Equip.	2.50%	6.67%	13,245	-	-	165,718	3,977	(4,454)	161,264
24	340	Office Furniture and Fixtures	2.50%	6.67%	-	-	-	-	-	-	-
25	340.1	Computers and Software	2.50%	20.00%	-	-	-	-	-	-	-
26	341	Transportation Equipment	2.50%	20.00%	-	-	-	-	-	-	-
27	342	Stores Equipment	2.50%	4.00%	-	-	-	-	-	-	-
28	343	Tools and Work Equipment	2.50%	5.00%	-	-	-	-	-	-	-
29	344	Laboratory Equipment	2.50%	10.00%	-	-	-	-	-	-	-
30	345	Power Operated Equipment	2.50%	5.00%	-	-	-	-	-	-	-
31	346	Communications Equipment	2.50%	10.00%	-	-	-	-	-	-	-
32	347	Miscellaneous Equipment	2.50%	10.00%	-	-	-	-	-	-	-
33	348	Other Tangible Plant	2.50%	10.00%	-	-	-	-	-	-	-
34		Rounding			-	-	-	-	-	-	-
0											
35	**RUCO TOTAL WATER PLANT**				$ 18,709	$ -	$ -	$ 2,716,303	$ 64,962	$ (188,638)	$ 2,527,665
37	Per Company Work Papers				$ 18,709	$ -	$ -	$ 2,716,303	$ 64,962	$ (188,636)	$ 2,527,667
38	RUCO Increase/Decrease to GUPIS & Accum. Depre.				$ -	$ -	$ -	$ -	$ (0)	$ (2)	$ (2)

TEST YEAR PLANT SCHEDULES - CONT'D
YEAR ENDED DECEMBER 31, 2007

LINE NO.	ACCT. NO.	ACCOUNT NAME	(A) Deprec. Rate 10/1/2005 Thru 4/30/2007	(B) Deprec. Rate After 4/30/2007	(C) 2007 PLANT ADDITIONS	(D) 2007 PLANT ADJUSTMENTS	(E) 2007 PLANT RETIREMENTS	(F) 2007 GROSS PLANT	(G) 2007 RUCO CALCULATED ANNUAL DEP.	(H) DECEMBER 31 2007 ACCUMULATED DEPRECIATION BALANCE	(I) DECEMBER 31 2007 NET PLANT VALUE
1	301	Organization Cost	0.00%	0.00%	$ 6,539	$ -	$ -	$ 117,487	$ -	$ -	$ 117,487
2	302	Franchise Cost	0.00%	0.00%	-	-	-	-	-	-	-
3	303	Land and Land Rights	0.00%	0.00%	-	-	-	-	-	-	-
4	304	Structures and Improvements	2.50%	3.33%	-	-	-	11,064	338	(986)	10,077
5	305	Collecting and Impounding Res.	2.50%	2.50%	-	-	-	-	-	-	-
6	306	Lakes, Rivers, and Other Intakes	2.50%	2.50%	-	-	-	-	-	-	-
7	307	Wells & Springs	2.50%	3.33%	-	-	-	386,591	11,804	(41,810)	344,780
8	308	Infiltration Galleries and Tunnels	2.50%	6.67%	-	-	-	-	-	-	-
9	309	Supply Mains	2.50%	2.00%	-	-	-	-	-	-	-
10	310	Power Generation Equipment	2.50%	5.00%	-	-	-	-	-	-	-
11	311	Electric Pumping Equipmemt	2.50%	12.50%	2,963	-	-	689,956	63,110	(119,620)	570,335
12	320	Water Treatment Equipment	2.50%	3.33%	4,628	-	-	15,948	416	(1,111)	14,837
13	320.1	Water Treatment Plant	2.50%	3.33%	-	-	-	-	-	-	-
14	320.2	Chemical Solution Feeders	2.50%	20.00%	-	-	-	-	-	-	-
15	330	Dist. Reservoirs & Standpipe	2.50%	2.22%	72,350	-	-	366,810	7,649	(32,340)	334,470
16	330.1	Storage Tanks	2.50%	2.22%	-	-	-	-	-	-	-
17	330.2	Pressure Tanks	2.50%	5.00%	-	-	-	-	-	-	-
18	331	Trans. and Dist. Mains	2.50%	2.00%	685,094	-	-	1,436,546	23,703	(76,126)	1,360,419
19	333	Services	2.50%	3.33%	143,352	-	-	289,895	6,663	(16,867)	273,027
20	334	Meters	2.50%	8.33%	18,359	-	(6,580)	79,816	4,721	(2,572)	77,244
21	335	Hydrants	2.50%	2.00%	43,205	-	-	126,385	2,270	(6,846)	119,539
22	336	Backflow Prevention Devices	2.50%	6.67%	-	-	-	-	-	-	-
23	339	Othere Plant and Misc. Equip.	2.50%	6.67%	759	-	-	166,477	8,770	(13,224)	153,253
24	340	Office Furniture and Fixtures	2.50%	6.67%	-	-	-	-	-	-	-
25	340.1	Computers and Software	2.50%	20.00%	-	-	-	-	-	-	-
26	341	Transportation Equipment	2.50%	20.00%	-	-	-	-	-	-	-
27	342	Stores Equipment	2.50%	4.00%	-	-	-	-	-	-	-
28	343	Tools and Work Equipment	2.50%	5.00%	-	-	-	-	-	-	-
29	344	Laboratory Equipment	2.50%	10.00%	-	-	-	-	-	-	-
30	345	Power Operated Equipment	2.50%	5.00%	-	-	-	-	-	-	-
31	346	Communications Equipment	2.50%	10.00%	-	-	-	-	-	-	-
32	347	Miscellaneous Equipment	2.50%	10.00%	-	-	-	-	-	-	-
33	348	Other Tangible Plant	2.50%	10.00%	-	-	-	-	-	-	-
34		Rounding			-	-	-	-	-	-	-
0											
35	**RUCO TOTAL WATER PLANT**				$ 977,249	$ -	$ (6,580)	$ 3,686,972	$ 129,445	$ (311,502)	$ 3,375,470
37	Per Company Work Papers				$ 977,249	$ -	$ (6,580)	$ 3,686,972	$ 126,179	$ (308,235)	$ 3,378,737
38	RUCO Increase/Decrease to GUPIS & Accum. Depre.				$ -	$ -	$ -	$ -	$ 3,266	$ (3,267)	$ (3,267)

TEST YEAR PLANT SCHEDULES - CONT'D
YEAR ENDED DECEMBER 31, 2008

LINE NO.	ACCT. NO.	ACCOUNT NAME	(A) Deprec. Rate 10/1/2005 Thru 4/30/2007	(B) Deprec. Rate After 4/30/2007	(C) 2008 PLANT ADDITIONS	(D) 2008 PLANT ADJUSTMENTS	(E) 2008 PLANT RETIREMENTS	(F) 2008 GROSS PLANT	(G) 2008 RUCO CALCULATED ANNUAL DEP.	(H) DECEMBER 31 2008 ACCUMULATED DEPRECIATION BALANCE	(I) DECEMBER 31 2008 NET PLANT VALUE
1	301	Organization Cost	0.00%	0.00%	$ 9,616	$ -	$ -	$ 127,103	$ -	$ -	$ 127,103
2	302	Franchise Cost	0.00%	0.00%	-	-	-	-	-	-	-
3	303	Land and Land Rights	0.00%	0.00%	494,159	-	-	494,159	-	-	494,159
4	304	Structures and Improvements	2.50%	3.33%	171,506	-	-	182,570	3,224	(4,210)	178,359
5	305	Collecting and Impounding Res.	2.50%	2.50%	-	-	-	-	-	-	-
6	306	Lakes, Rivers, and Other Intakes	2.50%	2.50%	-	-	-	-	-	-	-
7	307	Wells & Springs	2.50%	3.33%	-	-	-	386,591	12,873	(54,684)	331,907
8	308	Infiltration Galleries and Tunnels	2.50%	6.67%	-	-	-	-	-	-	-
9	309	Supply Mains	2.50%	2.00%	-	-	-	-	-	-	-
10	310	Power Generation Equipment	2.50%	5.00%	-	-	-	-	-	-	-
11	311	Electric Pumping Equipmemt	2.50%	12.50%	275,541	-	-	965,497	103,466	(223,086)	742,411
12	320	Water Treatment Equipment	2.50%	3.33%	-	-	-	15,948	531	(1,642)	14,306
13	320.1	Water Treatment Plant	2.50%	3.33%	-	-	-	-	-	-	-
14	320.2	Chemical Solution Feeders	2.50%	20.00%	-	-	-	-	-	-	-
15	330	Dist. Reservoirs & Standpipe	2.50%	2.22%	470,081	-	-	836,891	13,361	(45,701)	791,190
16	330.1	Storage Tanks	2.50%	2.22%	-	-	-	-	-	-	-
17	330.2	Pressure Tanks	2.50%	5.00%	-	-	-	-	-	-	-
18	331	Trans. and Dist. Mains	2.50%	2.00%	174,757	-	-	1,611,303	30,478	(106,605)	1,504,698
19	333	Services	2.50%	3.33%	97,051	-	-	386,946	11,269	(28,137)	358,809
20	334	Meters	2.50%	8.33%	9,299	-	-	89,115	7,036	(9,608)	79,507
21	335	Hydrants	2.50%	2.00%	35,352	-	-	161,737	2,881	(9,728)	152,009
22	336	Backflow Prevention Devices	2.50%	6.67%	-	-	-	-	-	-	-
23	339	Othere Plant and Misc. Equip.	2.50%	6.67%	-	-	-	166,477	11,104	(24,328)	142,149
24	340	Office Furniture and Fixtures	2.50%	6.67%	-	-	-	-	-	-	-
25	340.1	Computers and Software	2.50%	20.00%	-	-	-	-	-	-	-
26	341	Transportation Equipment	2.50%	20.00%	-	-	-	-	-	-	-
27	342	Stores Equipment	2.50%	4.00%	-	-	-	-	-	-	-
28	343	Tools and Work Equipment	2.50%	5.00%	-	-	-	-	-	-	-
29	344	Laboratory Equipment	2.50%	10.00%	-	-	-	-	-	-	-
30	345	Power Operated Equipment	2.50%	5.00%	-	-	-	-	-	-	-
31	346	Communications Equipment	2.50%	10.00%	-	-	-	-	-	-	-
32	347	Miscellaneous Equipment	2.50%	10.00%	-	-	-	-	-	-	-
33	348	Other Tangible Plant	2.50%	10.00%	-	-	-	-	-	-	-
34		Rounding			-	-	-	-	-	-	-
0											
35	**RUCO TOTAL WATER PLANT**				$ 1,737,362	$ -	$ -	$5,424,334	$ 196,224	$ (507,727)	$ 4,916,607
37	Per Company Work Papers				$ 1,737,362	$ -	$ -	$5,424,334	$ 196,224	$ (504,459)	$ 4,919,875
38	RUCO Increase/Decrease to GUPIS & Accum. Depre.				$ -	$ -	$ -	$ -	$ 0	$ (3,268)	$ (3,268)

TEST YEAR PLANT SCHEDULES - CONT'D
TEST YEAR ENDED DECEMBER 31, 2009

LINE NO.	ACCT. NO.	ACCOUNT NAME	(A) Deprec. Rate 10/1/2005 Thru 4/30/2007	(B) Deprec. Rate After 4/30/2007	(C) 2009 PLANT ADDITIONS	(D) 2009 PLANT ADJUSTMENTS	(E) 2009 PLANT RETIREMENTS	(F) 2009 GROSS PLANT	(G) 2009 RUCO CALCULATED ANNUAL DEP.	(H) DECEMBER 31 2009 ACCUMULATED DEPRECIATION BALANCE	(I) DECEMBER 31 2009 NET PLANT VALUE
1	301	Organization Cost	0.00%	0.00%	$ -	$ -	$ -	$ 127,103	$ -	$ -	$ 127,103
2	302	Franchise Cost	0.00%	0.00%	-	-	-	-	-	-	-
3	303	Land and Land Rights	0.00%	0.00%	-	-	-	494,159	-	-	494,159
4	304	Structures and Improvements	2.50%	3.33%	-	-	-	182,570	6,080	(10,290)	172,280
5	305	Collecting and Impounding Res.	2.50%	2.50%	-	-	-	-	-	-	-
6	306	Lakes, Rivers, and Other Intakes	2.50%	2.50%	-	-	-	-	-	-	-
7	307	Wells & Springs	2.50%	3.33%	-	-	-	386,591	12,873	(67,557)	319,033
8	308	Infiltration Galleries and Tunnels	2.50%	6.67%	-	-	-	-	-	-	-
9	309	Supply Mains	2.50%	2.00%	-	-	-	-	-	-	-
10	310	Power Generation Equipment	2.50%	5.00%	-	-	-	-	-	-	-
11	311	Electric Pumping Equipmemt	2.50%	12.50%	3,155	-	-	968,652	120,884	(343,970)	624,681
12	320	Water Treatment Equipment	2.50%	3.33%	-	-	-	15,948	531	(2,173)	13,775
13	320.1	Water Treatment Plant	2.50%	3.33%	-	-	-	-	-	-	-
14	320.2	Chemical Solution Feeders	2.50%	20.00%	-	-	-	-	-	-	-
15	330	Dist. Reservoirs & Standpipe	2.50%	2.22%	-	-	-	836,891	18,579	(64,280)	772,611
16	330.1	Storage Tanks	2.50%	2.22%	-	-	-	-	-	-	-
17	330.2	Pressure Tanks	2.50%	5.00%	-	-	-	-	-	-	-
18	331	Trans. and Dist. Mains	2.50%	2.00%	18	-	-	1,611,321	32,226	(138,831)	1,472,489
19	333	Services	2.50%	3.33%	-	-	-	386,946	12,885	(41,022)	345,923
20	334	Meters	2.50%	8.33%	5,148	-	-	94,263	7,638	(17,245)	77,018
21	335	Hydrants	2.50%	2.00%	-	-	-	161,737	3,235	(12,962)	148,775
22	336	Backflow Prevention Devices	2.50%	6.67%	-	-	-	-	-	-	-
23	339	Othere Plant and Misc. Equip.	2.50%	6.67%	21,105	-	-	187,582	11,808	(36,136)	151,446
24	340	Office Furniture and Fixtures	2.50%	6.67%	-	-	-	-	-	-	-
25	340.1	Computers and Software	2.50%	20.00%	-	-	-	-	-	-	-
26	341	Transportation Equipment	2.50%	20.00%	-	-	-	-	-	-	-
27	342	Stores Equipment	2.50%	4.00%	-	-	-	-	-	-	-
28	343	Tools and Work Equipment	2.50%	5.00%	-	-	-	-	-	-	-
29	344	Laboratory Equipment	2.50%	10.00%	-	-	-	-	-	-	-
30	345	Power Operated Equipment	2.50%	5.00%	-	-	-	-	-	-	-
31	346	Communications Equipment	2.50%	10.00%	-	-	-	-	-	-	-
32	347	Miscellaneous Equipment	2.50%	10.00%	-	-	-	-	-	-	-
33	348	Other Tangible Plant	2.50%	10.00%	-	-	-	-	-	-	-
34		Rounding			-	1	-	1	-	-	-
0											
35	**RUCO TOTAL WATER PLANT**				$ 29,426	$ 1	$ -	$ 5,453,761	$ 226,739	$ (734,466)	$ 4,719,294
37	Per Company Work Papers				$ 29,426	$ -	$ -	$ 5,453,761	$ 226,739	$ (731,198)	$ 4,722,563
38	RUCO Increase/Decrease to GUPIS & Accum. Depre.				$ -	$ 1	$ -	$ -	$ 0	$ (3,268)	$ (3,269)

References:
Columns (A) & (B): Per Decision No. 69404
Columns (C), (D), & (E): Company B-2 Schedules and Plant Additions' Workpapers
Column (F): Schedule TJC-4(2008), Column (F) + Column (C), (D), & (E)
Column (G): RUCO's Depreciation Expense Formula
Column (H): Schedule TJC-4(2008), Column (H) + Column (G)
Column (I): Column (F) + Column (H)

RUCO's RATE BASE ADJUSTMENT NO. 2
WATER PLANT EXCESS CAPACITY ADJUSTMENT

LINE NO.	ACCT. NO.	ACCOUNT NAME	(A) COMPANY TOTAL PLANT BALANCE	(B) COMPANY ACCUM. DEPRE. BALANCE	(C) RUCO EXCESS CAPACITY FACTOR	(D) TOTAL WATER PLANT PER RUCO	(E) TOTAL ACCUM. DEPRE. PER RUCO
1	301	Organization Cost	$ 127,103	$ -	56.88%	$ 72,295	$ -
2	302	Franchise Cost	-	-	56.88%	-	-
3	303	Land and Land Rights	494,159	-	56.88%	281,072	-
4	304	Structures and Improvements	182,570	(10,285)	56.88%	103,844	(5,850)
5	305	Collecting and Impounding Res.	-	-	56.88%	-	-
6	306	Lakes, Rivers, and Other Intakes	-	-	56.88%	-	-
7	307	Wells & Springs	386,591	(67,423)	56.88%	219,889	(38,350)
8	308	Infiltration Galleries and Tunnels	-	-	56.88%	-	-
9	309	Supply Mains	-	-	56.88%	-	-
10	310	Power Generation Equipment	-	-	56.88%	-	-
11	311	Electric Pumping Equipmemt	968,652	(341,101)	56.88%	550,958	(194,014)
12	320	Water Treatment Equipment	15,947	(2,167)	56.88%	9,071	(1,233)
13	320.1	Water Treatment Plant	-	-	56.88%	-	-
14	320.2	Chemical Solution Feeders	-	-	56.88%	-	-
15	330	Dist. Reservoirs & Standpipe	836,890	(64,318)	56.88%	476,014	(36,583)
16	330.1	Storage Tanks	-	-	56.88%	-	-
17	330.2	Pressure Tanks	-	-	56.88%	-	-
18	331	Trans. and Dist. Mains	1,611,321	(139,059)	56.88%	916,501	(79,095)
19	333	Services	386,947	(40,947)	56.88%	220,091	(23,290)
20	334	Meters	94,263	(17,066)	56.88%	53,616	(9,707)
21	335	Hydrants	161,737	(12,984)	56.88%	91,994	(7,385)
22	336	Backflow Prevention Devices	-	-	56.88%	-	-
23	339	Othere Plant and Misc. Equip.	187,582	(35,847)	56.88%	106,695	(20,389)
24	340	Office Furniture and Fixtures	-	-	56.88%	-	-
25	340.1	Computers and Software	-	-	56.88%	-	-
26	341	Transportation Equipment	-	-	56.88%	-	-
27	342	Stores Equipment	-	-	56.88%	-	-
28	343	Tools and Work Equipment	-	-	56.88%	-	-
29	344	Laboratory Equipment	-	-	56.88%	-	-
30	345	Power Operated Equipment	-	-	56.88%	-	-
31	346	Communications Equipment	-	-	56.88%	-	-
32	347	Miscellaneous Equipment	-	-	56.88%	-	-
33	348	Other Tangible Plant	-	-	56.88%	-	-
34		*Rounding*	-			-	-
35	**RUCO TOTAL WATER PLANT**		$ 5,453,761	$ (731,198)		$ 3,102,038	$ (415,897)

36	RUCO Excess Capacity Plant Adjustment	$ (2,351,723)
37	RUCO Excess Capacity Accumulated Depreciation Adjustment	$ 315,301

Note:

38	RUCO's Excess Capacity Factor	**56.88%**

References: Column (A): Company B-2 Schedule and RUCO Schedule TJC-4(2009)
Column (B): Company B-2 Schedule
Column (C): RUCO's Excess Capacity Factor (L38) Above
Column(D): Column (A) x Column (N)
Column(E): Column (B) x Column (N)

RUCO's RATE BASE ADJUSTMENT NO. 3
EXCESS CAPACITY ADJUSTMENT TO ADVANCES IN AID OF CONSTRUCTION ("AIAC")

LINE NO.	DESCRIPTION	(A) AMOUNT
1	AIAC Balance Per Company	$ 2,101,905
	Less:	
2	RUCO's Excess Capacity Factor	56.88%
3	AIAC Balance Per RUCO	$ 1,195,540
4	RUCO's AIAC Adjustment	$ 906,365

RUCO's RATE BASE ADJUSTMENT NO. 4
ACCUMULATEDDEFERRED INCOME TAXES ("ADIT") FOR EXCESS CAPACITY

Line No.											
1	**Deferred Income Tax as of December 31, 2009**										
2											
3				Probability	Deductible TD						
4		Adjusted		of Realization	(Taxable TD)			Future Tax Asset		Future Tax Liability	
5		Book Value	Tax Value	of Future Tax Benefit	Expected to be Realized		Tax Rate[5]	Current	Non Current	Current	Non Current
6	Plant-in-Service	$ 3,102,039 [1]									
7	Accum. Deprec.	(419,172) [1]									
8	CIAC	(836,878) [3]									
9	Fixed Assets	$ 1,845,989	$ 2,268,902 [2]	100.0%	$ 422,913		30.8%		130,449		-
10	AIAC		2,101,905 [4]	30.0%	$ 630,572 [4]		30.8%		$ 194,502		
11	Tax Benefits from O.L. Carry Forward.			100.0%	$ -		30.8%		$ -		
12								$ -	$ 324,952	$ -	$ -
13											
14					Net Asset (Liability)			$ 324,952			
15											
16	DIT Asset (Liability) per Books							$ -			
17											
18	Adjustment to DIT							$ (324,952)			
19											
20											
21											
22											
23											
24											
25	Footnotes - See page 2										
26											
27											
28											
29											
30											
31											
32											
33											
34											
35											
36											
37											
38											
39											

RUCO's RATE BASE ADJUSTMENT NO. 4 (CONT'D)
ACCUMULATEDDEFERRED INCOME TAXES ("ADIT") FOR EXCESS CAPACITY

Line No.				
1	**1 Adjusted per B-2, page 2**			
2	**2 Computation of Net Tax Value at December 31, 2009**			
3	Based on 2009 Tax Depreciation report (December 31, 2009)			
4	Unadjusted Cost per 2009 Tax Depr. Report	$ 4,938,108		
5	Reconciling Items not on tax report:			
6	Land costs not on tax, on books	494,159		
7	Net Unadjusted Cost tax Basis			$ 5,432,267
8				
9	Basis Reduction			
10	Basis Reduction 2009 and Prior Years (from 2009 Tax Depr. Report)	$ (14,706)		
11	Advanced or contributed plant with no depreciable basis listed on 2009 Tax Depr. Report	(2,707,816)		
12	Accumulated Depreciation 2008 and prior (2009 Tax Depr Report)	(339,352)		
13	2009 Current Year Tax Depreciation	(101,491)		-
14	Net Basis Reduction 2007 and Prior years			(3,163,365)
15	Net tax value of plant-in-service at December 31, 2008			$ 2,268,902
16				
17	**3 CIAC (including impact of change to probability of realization)**			
18				
19	Gross CIAC per B-2		$ -	
20	Less: Pre-1996 CIAC		-	
21	A.A per B-2	$ -		
22	A.A on Pre-1996 CIAC	-		
23	A.A. on Post 1996 CIAC		-	
24	Net CIAC before unrealized AIAC			$ -
25				
26	Unrealized AIAC Component			
27	Adjusted Net AIAC (see footnote 5 below)		$ (1,195,540)	
28	Unrealized AIAC Component % (1-Realized AIAC Component)		70.0%	
29				$ (836,878)
30	Total realizable CIAC			$ (836,878)
31				
32	**4 AIAC (including** impact of change in probability of realization)			
33	AIAC per B-2		$ (1,195,540)	
34	Less: Pre-1996 AIAC included for book and tax purposes		-	
35	Net AIAC before unrealized portion			$ (1,195,540)
36	Less: Unrealized AIAC (from Note 4, above)			$ 836,878
37	Net realizable AIAC			$ (358,662)
38				
39	**5 Effective tax rates Per C-3 schedule**			

OPERATING INCOME

LINE NO.	DESCRIPTION	(A) COMPANY AS FILED	(B) RUCO TEST YEAR ADJM'TS	(C) RUCO TEST YEAR AS ADJ'TED	(D) RUCO PROP'D CHANGES	(E) RUCO AS RECOMM'D
	Revenues:					
1	Metered Water Revenues	$ 559,013	$ 7,359	$ 566,372	$ (36,000)	$ 530,372
2	Unmetered Water Revenues	-	-	-	-	-
3	Other Water Revenues	13,738	-	13,738	-	13,738
4	TOTAL WATER REVENUES	$ 572,751	$ 7,359	$ 580,110	$ (36,000)	$ 544,110
	Operating Expenses:					
5	Salaries and Wages	$ 40,000	$ (4,986)	$ 35,014	$ -	$ 35,014
6	Purchased Water	-	-	-	-	-
7	Purchased Power	27,066	-	27,066	-	27,066
8	Chemicals	-	-	-	-	-
9	Repairs and Maintenance	7,746	-	7,746	-	7,746
10	Office Supplies and Expenses	14,855	-	14,855	-	14,855
11	Contractual Services	102,925	(2,641)	100,284	-	100,284
12	Water Testing	1,215	-	1,215	-	1,215
13	Rents	-	-	-	-	-
14	Transportation Expenses	-	-	-	-	-
15	Insurance - General Liability	9,669	-	9,669	-	9,669
16	Insurance - Health and Life	-	-	-	-	-
17	Reg. Comm. Exp. - Rate Case	20,000	-	20,000	-	20,000
18	Miscellaneous Expense	378	-	378	-	378
19	Depreciation Expense	227,855	(98,254)	129,601	-	129,601
20	Taxes Other Than Income	2,988	(372)	2,615	-	2,615
21	Property Taxes	21,299	(3,036)	18,263	-	18,263
22	Income Tax	22,873	29,880	52,753	(11,104)	41,649
23	TOTAL OPERATING EXPENSES	$ 498,868	$ (79,408)	$ 419,460	$ (11,104)	$ 408,356
24	**OPERATING INCOME (LOSS)**	$ 73,883		$ 160,650		$ 135,754

References:

Column (A): Company Schedule C-1
Column (B): TJC-9, Columns (B) Thru (H)
Column (C): Column (A) + Column (B)
Column (D): Revenue From TJC-1, Column (B), Line 8 And Income Tax From TJC-1, Column (B), Line 8 - Line 6
Column (E): Column (C) + Column (D)

SUMMARY OF OPERATING INCOME ADJUSTMENTS
TEST YEAR AS FILED AND ADJUSTMENTS

LINE NO.	DESCRIPTION	(A) COMPANY AS FILED	(B) ADJ # 1 DEP. EXPENSE	(C) ADJ # 2 PROPERTY TAX	(D) ADJ # 3 REV. & EXP. ANNUAL'N	(E) ADJ # 4 SALARIES & WAGES	(F) ADJ # 5 CONTRACTUAL SERVICES	(G) ADJ # 6 MEAL EXPENSE	(H) ADJ # 7 INCOME TAX	(I) RUCO AS ADJT'D
	Revenues:									
1	Metered Water Revenues	$ 559,013	$ -	$ -	$ 7,359	$ -	$ -	$ -	$ -	$ 566,372
2	Unmetered Water Revenues	-	-	-	-	-	-	-	-	-
3	Other Water Revenues	13,738	-	-	-	-	-	-	-	13,738
4	TOTAL WATER REVENUES	$ 572,751	$ -	$ -	$ 7,359	$ -	$ -	$ -	$ -	$ 580,110
	Operating Expenses:									
5	Salaries and Wages	$ 40,000	$ -	$ -	$ -	$ (4,986)	$ -	$ -	$ -	$ 35,014
6	Purchased Water	-	-	-	-	-	-	-	-	-
7	Purchased Power	27,066	-	-	-	-	-	-	-	27,066
8	Chemicals	-	-	-	-	-	-	-	-	-
9	Repairs and Maintenance	7,746	-	-	-	-	-	-	-	7,746
10	Office Supplies and Expenses	14,855	-	-	-	-	-	-	-	14,855
11	Contractual Services	102,925	-	-	-	-	(2,493)	(148)	-	100,284
12	Water Testing	1,215	-	-	-	-	-	-	-	1,215
13	Rents	-	-	-	-	-	-	-	-	-
14	Transportation Expenses	-	-	-	-	-	-	-	-	-
15	Insurance - General Liability	9,669	-	-	-	-	-	-	-	9,669
16	Insurance - Health and Life	-	-	-	-	-	-	-	-	-
17	Reg. Comm. Exp. - Rate Case	20,000	-	-	-	-	-	-	-	20,000
18	Miscellaneous Expense	378	-	-	-	-	-	-	-	378
19	Depreciation Expense	227,855	(98,254)	-	-	-	-	-	-	129,601
20	Taxes Other Than Income	2,988	-	-	-	(372)	-	-	-	2,615
21	Property Taxes	21,299	-	(3,036)	-	-	-	-	-	18,263
22	Income Tax	22,873	-	-	-	-	-	-	29,880	52,753
23	TOTAL OPERATING EXPENSES	$ 498,868	$ (98,254)	$ (3,036)	$ -	$ (5,358)	$ (2,493)	$ (148)	$ 29,880	$ 419,460
24	**OPERATING INCOME (LOSS)**	$ 73,883								$ 160,650

References:
Column (A): Company Schedule C-1
Column (B): TJC Testimony and Schedule TJC-10
Column (C): TJC Testimony and Schedule TJC-11
Column (D): TJC Testimony and Schedule TJC-12
Column (E): TJC Testimony and Schedule TJC-13
Column (F): TJC Testimony and Schedule TJC-14
Column (G): TJC Testimony and Schedule TJC-15
Column (H): TJC Testimony and Schedule TJC-16
Column (I): Sum Of Columns (A) Thru (H)

RUCO OPERATING INCOME ADJUSTMENT NO. 1
TEST YEAR DEPRECIATION EXPENSE

LINE NO.	ACCT. NO.	ACCOUNT NAME	(A) RUCO TOTAL PLANT VALUE	(B) APPROVED DEPRECIATION RATE DECISION NO. 69404	(C) TEST YEAR DEPRECIATION EXPENSE
1	301	Organization Cost	$ 72,295	0.00%	$ -
2	302	Franchise Cost	-	0.00%	-
3	303	Land and Land Rights	281,072	0.00%	-
4	304	Structures and Improvements	103,844	3.33%	3,458
5	305	Collecting and Impounding Res.	-	2.50%	-
6	306	Lakes, Rivers, and Other Intakes	-	2.50%	-
7	307	Wells & Springs	219,889	3.33%	7,322
8	308	Infiltration Galleries and Tunnels	-	6.67%	-
9	309	Supply Mains	-	2.00%	-
10	310	Power Generation Equipment	-	5.00%	-
11	311	Electric Pumping Equipmemt	550,958	12.50%	68,870
12	320	Water Treatment Equipment	9,071	3.33%	302
13	320.1	Water Treatment Plant	-	3.33%	-
14	320.2	Chemical Solution Feeders	-	20.00%	-
15	330	Dist. Reservoirs & Standpipe	476,014	2.22%	10,568
16	330.1	Storage Tanks	-	2.22%	-
17	330.2	Pressure Tanks	-	5.00%	-
18	331	Trans. and Dist. Mains	916,501	2.00%	18,330
19	333	Services	220,091	3.33%	7,329
20	334	Meters	53,616	8.33%	4,466
21	335	Hydrants	91,994	2.00%	1,840
22	336	Backflow Prevention Devices	-	6.67%	-
23	339	Othere Plant and Misc. Equip.	106,695	6.67%	7,117
24	340	Office Furniture and Fixtures	-	6.67%	-
25	340.1	Computers and Software	-	20.00%	-
26	341	Transportation Equipment	-	20.00%	-
27	342	Stores Equipment	-	4.00%	-
28	343	Tools and Work Equipment	-	5.00%	-
29	344	Laboratory Equipment	-	10.00%	-
30	345	Power Operated Equipment	-	5.00%	-
31	346	Communications Equipment	-	10.00%	-
32	347	Miscellaneous Equipment	-	10.00%	-
33	348	Other Tangible Plant	-	10.00%	-
34		Rounding	1		-
35	**RUCO TOTAL WATER PLANT**		$ 3,102,039		$ 129,601
	Less:				
36	Amortizations Of CIAC (TJC-2, Col. (C), Line 8)		$ -		-
37	TOTAL DEPRECIATION EXPENSE (Line 35 + Line 36)				$ 129,601
38	Test Year Depreciation Expense As Filed (Co. Sch. C-1)				227,855
39	Increase (Decrease) In Depreciation Expense (Line 37 - Line 37)				$ (98,254)
40	RUCO Adjustment (Line 39) (See TJC-9, Column (B), Line 19)				$ (98,254)

References: Column (A): TJC-5, Column (D)
Column (B): Per Decision No. 69404
Column (C): Column (A) X Column (B)

RUCO OPERATING INCOME ADJUSTMENT NO. 2
PROPERTY TAX COMPUTATION

LINE NO.	DESCRIPTION	REFERENCE	(A) AMOUNT	(B) TOTAL
	Calculation Of The Company's Full Cash Value:			
	Annual Operating Revenues:			
1	Adjusted Revenues In Year Ended December 2009	Sch. TJC-8, Col (C), Ln 4	$ 580,110	
2	Adjusted Revenues In Year Ended December 2009	Sch. TJC-8, Col (C), Ln 4	580,110	
3	Proposed Revenues	Sch. TJC-8, Col (E), Ln 4	544,110	
4	Total Three Year Operating Revenues	Sum Of Lines 1, 2 & 3	$ 1,704,329	
5	Average Annual Operating Revenues	Line 4 / 3	568,110	
6	Two Times Three Year Average Operating Revenues	Line 5 X 2		$ 1,136,220
	ADD:			
	10% Of Construction Work In Progress ("CWIP"):			
7	Test Year CWIP	Co. Sch. E-1	$ -	
8	10% Of CWIP	Line 7 X 10%		$ -
	SUBTRACT:			
	Transportation At Book Value:			
9	Original Cost Of Transportation Equipment	TJC-5, Col. (D), Ln 26	$ -	
10	Acc. Dep. Of Transportation Equipment	TJC-4, Col. (H), Ln 26	-	
11	Book Value Of Transportation Equipment	Line 9 + Line 10		$ -
12	Company's Full Cash Value ("FCV")	Sum Of Lines 6, 8 & 11		$ 1,136,220
	Calculation Of The Company's Tax Liability:			
	MULTIPLY:			
	FCV X Valuation Assessment Ratio X Property Tax Rates:			
13	Assessment Ratio	House Bill 2779	20.0%	
14	Assessed Value	Line 12 X Line 13	$ 227,244	
	Property Tax Rates:			
15	Primary Tax Rate - 2009 Tax Notice	Co. Sch. C-2, Pg 3	7.4558%	
16	Secondary Tax Rate - 2009 Tax Notice	Co. Sch. C-2, Pg 3	0.0000%	
17	Estimated Tax Rate Liability	Line 15 + Line 16	7.4558%	
18	Company's Tax Liability - Based On Full Cash Value	Line 14 X Line 17		$ 16,943
19	Company's Tax on Parcels	Co. Sch. C-2, Pg 3		$ 1,320
20	Company's Total Tax Liability	Line 18 + Line 19		$ 18,263
21	Test Year Adjusted Property Tax Expense As Filed	Co. Sch. C-1, Line 25		21,299
22	Increase In Property Tax Expense	Line 20 - Line 21		$ (3,036)
23	RUCO Adjustment (See TJC-9, Column (C), Line 21)	Line 22		$ (3,036)

RUCO OPERATING INCOME ADJUSTMENT NO. 3
REVENUE ANNUALIZATION

LINE NO.	DESCRIPTION	(A) AMOUNT
1	Company Revenue Annualization Adjustment	$ (7,359)
2	RUCO's Recommended Revenue Annualization Amount (See TJC-7, Column (D))	-
3	RUCO Revenue Annualization Adjustment	$ 7,359

NOTE:
RUCO's Average Test Year Customer Count Revenue Annualization Amount (49)

Goodman Water Company
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Test Year Ended December 31, 2009
Residential 5/8 x 3/4" Meter

LINE NO.	DESCRIPTION	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	TOTAL YEAR	AVERAGE CUSTOMERS
1	2009 AVERAGE TEST YEAR CUSTOMERS	532	532	532	532	532	532	532	532	532	532	532	532	6,379	
2	2009 ACTUAL CUSTOMERS BY MONTH	534	534	537	534	538	535	528	527	522	521	540	529	6,379	531.58
3	AVERAGE INCREASE IN CUSTOMERS	(2)	(2)	(5)	(2)	(6)	(3)	4	5	10	11	(8)	3		
4	AVERAGE REVENUE / PRESENT RATES	$ 61.08	$ 60.83	$ 63.19	$ 65.85	$ 70.41	$ 70.77	$ 70.88	$ 70.99	$ 66.19	$ 74.25	$ 69.47	$ 57.31		
5	REVENUE ANNUALIZATION / PRESENT RATES	$ (147.61)	$ (146.99)	$(342.29)	$ (159.14)	$(451.77)	$ (241.79)	$ 253.97	$ 325.39	$ 634.31	$ 785.84	$ (584.73)	$ 148.05	$ 73.25	
7	TOTAL INCREASE IN REVENUE PER RUCO	73													
8	INCREASE (DECREASE) IN REVENUE PER COMPANY	(1,997)													
9	RUCO REVENUE ADJUSTMENT	2,070													
10	GALLONS SOLD PER AVERAGE CUSTOMER	4,521	4,478	4,879	5,328	6,099	6,160	6,179	6,199	5,386	6,750	5,941	3,826		
11	INCREASE IN CUSTOMERS	(2)	(2)	(5)	(2)	(6)	(3)	4	5	10	11	(8)	3		
12	RUCO INCREASE IN GALLONS	(10,926)	(10,822)	(26,425)	(12,877)	(39,135)	(21,048)	22,140	28,411	51,612	71,438	(50,005)	9,883	12,245	
13	COMPANY INCREASE IN GALLONS													(1,997)	
14	RUCO DIFFERENCE IN GALLONS TO BE PRODUCED	14,241												14,241	

Goodman Water Company
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Residential 3/4" Meter

LINE NO.	DESCRIPTION	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	TOTAL YEAR	AVERAGE CUSTOMERS
1	2009 AVERAGE TEST YEAR CUSTOMERS	76	76	76	76	76	76	76	76	76	76	76	76	914	
2	2009 ACTUAL CUSTOMERS BY MONTH	67	71	73	74	73	72	71	77	79	82	89	86	914	76.17
3	AVERAGE INCREASE IN CUSTOMERS	9	5	3	2	3	4	5	(1)	(3)	(6)	(13)	(10)		
4	AVERAGE REVENUE / PRESENT RATES	$ 84.79	$ 86.89	$ 90.56	$ 92.28	$ 100.19	$ 97.49	$ 102.53	$ 96.56	$ 94.70	$ 100.72	$ 94.14	$ 82.20		
5	REVENUE ANNUALIZATION / PRESENT RATES	$ 777.26	$ 448.91	$ 286.77	$ 199.94	$ 317.28	$ 406.21	$ 529.76	$ (80.47)	$ (268.32)	$ (587.56)	$ (1,208.18)	$ (808.25)	$ 13.35	
7	TOTAL INCREASE IN REVENUE PER RUCO	13													
8	INCREASE (DECREASE) IN REVENUE PER COMPANY	11,057													
9	RUCO REVENUE ADJUSTMENT	(11,043)													
10	GALLONS SOLD PER AVERAGE CUSTOMER	4,963	5,317	5,939	6,230	7,569	7,112	7,965	6,955	6,640	7,659	6,545	4,524		
11	INCREASE IN CUSTOMERS	9	5	3	2	3	4	5	(1)	(3)	(6)	(13)	(10)		
12	RUCO INCREASE IN GALLONS	45,496	27,473	18,806	13,499	23,968	29,632	41,154	(5,796)	(18,813)	(44,678)	(84,000)	(44,484)	2,259	
13	COMPANY INCREASE IN GALLONS													763,542	
14	RUCO DIFFERENCE IN GALLONS TO BE PRODUCED	(761,283)												(761,283)	

Goodman Water Company
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Residential 1" Meter

LINE NO.	DESCRIPTION	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	TOTAL YEAR	AVERAGE CUSTOMERS
1	2009 AVERAGE TEST YEAR CUSTOMERS	4	4	4	4	4	4	4	4	4	4	4	4	45	
2	2009 ACTUAL CUSTOMERS BY MONTH	4	4	4	6	4	4	4	3	3	3	3	3	45	3.75
3	AVERAGE INCREASE IN CUSTOMERS	(0)	(0)	(0)	(2)	(0)	(0)	(0)	1	1	1	1	1		
4	AVERAGE REVENUE / PRESENT RATES	$ 148.35	$ 149.83	$ 149.83	$ 160.66	$ 143.92	$ 129.14	$ 179.38	$ 141.95	$ 155.74	$ 159.68	$ 153.77	$ 134.07		
5	REVENUE ANNUALIZATION / PRESENT RATES	$ (37.09)	$ (37.46)	$ (37.46)	$ (361.49)	$ (35.98)	$ (32.29)	$ (44.84)	$ 106.46	$ 116.80	$ 119.76	$ 115.33	$ 100.55	$ (27.70)	
7	TOTAL INCREASE IN REVENUE PER RUCO	(28)													
8	INCREASE (DECREASE) IN REVENUE PER COMPANY	(1,382)													
9	RUCO REVENUE ADJUSTMENT	1,355													
10	GALLONS SOLD PER AVERAGE CUSTOMER	7,251	7,501	7,501	9,334	6,501	4,001	12,501	6,167	8,501	9,167	8,167	4,834		
11	INCREASE IN CUSTOMERS	(0)	(0)	(0)	(2)	(0)	(0)	(0)	1	1	1	1	1		
12	RUCO INCREASE IN GALLONS	(1,813)	(1,875)	(1,875)	(21,001)	(1,625)	(1,000)	(3,125)	4,625	6,375	6,875	6,125	3,625	(4,688)	
13	COMPANY INCREASE IN GALLONS													(22,282)	
14	RUCO DIFFERENCE IN GALLONS TO BE PRODUCED	17,594												17,594	

Goodman Water Company
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Commercial 1" Meter

LINE NO.	DESCRIPTION	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	TOTAL YEAR	AVERAGE CUSTOMERS
1	2009 AVERAGE TEST YEAR CUSTOMERS	2	2	2	2	2	2	2	2	2	2	2	2	26	
2	2009 ACTUAL CUSTOMERS BY MONTH	1	1	1	1	3	3	3	3	3	3	2	2	26	2.17
3	AVERAGE INCREASE IN CUSTOMERS	1	1	1	1	(1)	(1)	(1)	(1)	(1)	(1)	0	0		
4	AVERAGE REVENUE / PRESENT RATES	$ 700.63	$ 529.99	$ 785.95	$ 785.95	$ 546.58	$ 479.03	$ 533.54	$ 564.35	$ 438.74	$ 500.36	$ 394.90	$ 348.68		
5	REVENUE ANNUALIZATION / PRESENT RATES	$ 817.40	$ 618.32	$ 916.94	$ 916.94	$(455.48)	$ (399.19)	$(444.62)	$(470.29)	$ (365.62)	$ (416.97)	$ 65.82	$ 58.11	$ 841.35	
7	TOTAL INCREASE IN REVENUE PER RUCO	841													
8	INCREASE (DECREASE) IN REVENUE PER COMPANY	(260)													
9	RUCO REVENUE ADJUSTMENT	1,101													
10	GALLONS SOLD PER AVERAGE CUSTOMER	87,501	63,501	99,501	99,501	65,834	56,334	64,000	68,334	50,667	59,334	44,501	38,001		
11	INCREASE IN CUSTOMERS	1	1	1	1	(1)	(1)	(1)	(1)	(1)	(1)	0	0		
12	RUCO INCREASE IN GALLONS	102,084	74,084	116,084	116,084	(54,862)	(46,945)	(53,334)	(56,945)	(42,223)	(49,445)	7,417	6,333	118,334	
13	COMPANY INCREASE IN GALLONS													(14,500)	
14	RUCO DIFFERENCE IN GALLONS TO BE PRODUCED	132,834												132,834	

Goodman Water Company
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Commercial 1.5" Meter

LINE NO.	DESCRIPTION	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	TOTAL YEAR	AVERAGE CUSTOMERS
1	2009 AVERAGE TEST YEAR CUSTOMERS	0	0	0	0	0	0	0	0	0	0	0	0	2	
2	2009 ACTUAL CUSTOMERS BY MONTH	-	-	-	1	1	-	-	-	-	-	-	-	2	0.17
3	AVERAGE INCREASE IN CUSTOMERS	0	0	0	(1)	(1)	0	0	0	0	0	0	0		
4	AVERAGE REVENUE / PRESENT RATES	$ 211.50	$ 211.50	$ 211.50	$ 232.19	$ 226.28	$ 211.50	$ 211.50	$ 211.50	$ 211.50	$ 211.50	$ 211.50	$ 211.50		
5	REVENUE ANNUALIZATION / PRESENT RATES	$ 35.25	$ 35.25	$ 35.25	$ (193.49)	$(188.56)	$ 35.25	$ 35.25	$ 35.25	$ 35.25	$ 35.25	$ 35.25	$ 35.25	$ (29.55)	
7	TOTAL INCREASE IN REVENUE PER RUCO	(30)													
8	INCREASE (DECREASE) IN REVENUE PER COMPANY	(458)													
9	RUCO REVENUE ADJUSTMENT	429													
10	GALLONS SOLD PER AVERAGE CUSTOMER	-	-	-	3,501	2,501	-	-	-	-	-	-	-		
11	INCREASE IN CUSTOMERS	0	0	0	(1)	(1)	0	0	0	0	0	0	0		
12	RUCO INCREASE IN GALLONS	-	-	-	(2,917)	(2,084)	-	-	-	-	-	-	-	(5,001)	
13	COMPANY INCREASE IN GALLONS													(458)	
14	RUCO DIFFERENCE IN GALLONS TO BE PRODUCED	(4,542)												(4,542)	

Goodman Water Company
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Commercial 2" Meter

LINE NO.	DESCRIPTION	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	TOTAL YEAR	AVERAGE CUSTOMERS
1	2009 AVERAGE TEST YEAR CUSTOMERS	2	2	2	2	2	2	2	2	2	2	2	2	19	
2	2009 ACTUAL CUSTOMERS BY MONTH	3	2	3	2	2	2	2	1	1	-	1	-	19	1.58
3	AVERAGE INCREASE IN CUSTOMERS	(1)	(0)	(1)	(0)	(0)	(0)	(0)	1	1	2	1	2		
4	AVERAGE REVENUE / PRESENT RATES	$ 744.28	$ 680.29	$ 830.78	$ 690.95	$ 733.61	$ 599.72	$ 680.29	$1,046.45	$ 772.72	$ 339.68	$ 1,003.79	$ 339.68		
5	REVENUE ANNUALIZATION / PRESENT RATES	$ (1,054.39)	$ (283.45)	$(1,176.94)	$ (287.90)	$(305.67)	$ (249.88)	$(283.45)	$ 610.43	$ 450.75	$ 537.83	$ 585.54	$ 537.83	$ (919.32)	
7	TOTAL INCREASE IN REVENUE PER RUCO	(919)													
8	INCREASE (DECREASE) IN REVENUE PER COMPANY	(14,318)													
9	RUCO REVENUE ADJUSTMENT	13,399													
10	GALLONS SOLD PER AVERAGE CUSTOMER	64,501	55,501	76,667	57,001	63,001	44,001	55,501	107,000	68,501	-	101,000	-		
11	INCREASE IN CUSTOMERS	(1)	(0)	(1)	(0)	(0)	(0)	(0)	1	1	2	1	2		
12	RUCO INCREASE IN GALLONS	(91,376)	(23,125)	(108,612)	(23,750)	(26,250)	(18,334)	(23,125)	62,417	39,959	-	58,917	-	(153,280)	
13	COMPANY INCREASE IN GALLONS													(1,250,008)	
14	RUCO DIFFERENCE IN GALLONS TO BE PRODUCED	1,096,728												1,096,728	

RUCO OPERATING INCOME ADJUSTMENT NO. 4
SALARIES & WAGES

Line No.	RUCO Adjustment to Salaries and Wages		Amount
1			
2			
3			
4	Company Request for Annual Salary of President/Manager		$ 40,000
5	Amount Recorded in Test Year		32,000
6	Increase (decrease) in Salaries and Wages		8,000
7			
8			
9	Company Adjustment to Test Year Book Amount		$ 8,000
10			
11	Inflation Factor Oct. 2005 thru June 2010 per InflationData.com		**9.42%**
12			
13	RUCO Adjustment to Test Year Book Amount		$ 3,014
14			
15	RUCO Adjustment to Salaries & Wages		$ (4,986)
16			
17			
18	Adjust Payroll Taxes to refelect RUCO Salaries and Wages		
19			
20	FICA per Company	6.02%	$ 2,408
21	FICA per RUCO	6.02%	2,108
22			
23	Medicare per Company	1.45%	580
24	Medicare per RUCO	1.45%	508
25			
26	FUTA per Company	0.80% (first $7,000 of wages)	56
27	FUTA per RUCO	0.80% (first $7,000 of wages)	56
28			
29	SUTA per Company	2.70% (first $7,000 of wages)	189
30	SUTA per RUCO	2.70% (first $7,000 of wages)	189
31			
32			
33	Total Payroll Taxes per Company		$ 3,233
34	Total Payroll Taxes per RUCO		2,861
35			
36	Payroll Taxes Recorded in Test Year		2,693
37			
38	Company Increase (decrease) in Payroll Taxes		$ 540
39	RUCO Increase (decrease) in Payroll Taxes		168
40			
41	RUCO Adjustment to Payroll Taxes		$ (372)

RUCO OPERATING INCOME ADJUSTMENT NO. 5
CONTRACTUAL SERVICES

Line No.		
1	Contractual Services - Jim Shiner	
2		
3	Company Request for Contractual Services 2010	$ 20,000
4	Contractual Services recorded during test year	16,000
5		
6	Company Increase (decrease) in Contractual Services	$ 4,000
7		
8		
9	Inflation Factor Oct. 2005 thru June 2010 per InflationData.com	**9.42%**
10		
11		
12	RUCO Adjustment to Test Year Book Amount	$ 1,507
13		
14	RUCO Recommended Contractual Services for J. Shiner	17,507
15		
16		
17	RUCO Adjustment to Contractual Services	$ (2,493)
18		
19		
20		

RUCO OPERATING INCOME ADJUSTMENT NO. 6
OUTSIDE SERVICES - MEALS

Line No.	Invoice No.	Date	Vendor	AMOUNT
1				
2	No Invoice No.	3/17/2009	CWH2 Services, LLC - Firebirds	$ 34.63
3				
4	30605	6/11/2009	CWH2 Services, LLC	27.01
5				
6	No Invoice No.	5/9/2009	CWH2 Services, LLC	57.82
7				
8	30609	10/20/2009	CWH2 Services, LLC - Firebirds	28.77
9				
10	Total Meals			148.23
11				
12				
13	RUCO Adjustment			(148)
14				
15				
16				
17				
18	**NOTE:**			
19	The Meals were identified in the Company's response to Staff Data Request GTM 4.11			
20				

RUCO OPERATING INCOME ADJUSTMENT NO. 7
INCOME TAX EXPENSE

LINE NO.	DESCRIPTION	(A) REFERENCE	(B) AMOUNT
	FEDERAL INCOME TAXES:		
1	Operating Income Before Taxes	Sch. TJC-9, Column (H), L24 + L22	$ 213,403
	LESS:		
2	Arizona State Tax	Line 11	(11,917)
3	Interest Expense	Note (A) Line 20	(42,378)
4	Federal Taxable Income	Sum Of Lines 1 Thru 3	$ 159,108
5	Federal Tax Rate	Sch. TJC-1, Pg 2, Col. (D), L34	25.67%
6	Federal Income Tax Expense	Line 4 X line 5	$ 40,836
	STATE INCOME TAXES:		
7	Operating Income Before Taxes	Line 1	$ 213,403
	LESS:		
8	Interest Expense	Note (A) Line 20	(42,378)
9	State Taxable Income	Sum Of Lines 7 & 8	$ 171,025
10	State Tax Rate	Tax Rate	6.97%
11	State Income Tax Expense	Line 9 X Line 10	$ 11,917
	TOTAL INCOME TAX EXPENSE:		
12	Federal Income Tax Expense	Line 6	$ 40,836
13	State Income Tax Expense	Line 11	11,917
14	Total Income Tax Expense Per RUCO	Line12 + Line 13	$ 52,753
15	Total Income Tax Expense Per Company (Per Company Sch. C-1)		22,873
16	Total Income Tax Adjustment	Line 14 - Line 15	$ 29,880
17	RUCO Adjustment (See Sch. TJC-9, Column (H), L22)	Line16	$ 29,880

NOTE (A):
Interest Synchronization:

18	Adjusted Rate Base (Sch. RLM-2, Col. (E), L15)	$	1,729,190
19	Weighted Cost Of Debt (Sch. RLM-14, Col. (F), L1)		2.45%
20	Interest Expense (L17 X L18)	$	42,378

COST OF CAPITAL

LINE NO.	DESCRIPTION	(A) CAPITAL RATIO	(B) COST	(C) WEIGHTED COST RATE
1	Long-Term Debt	40.00%	6.13%	2.45%
2	Common Equity	60.00%	9.00%	5.40%
3	Total Capitalization	100.00%		
4	COST OF CAPITAL			7.85%

References:
Columns (A) Thru (F): See Testimony Of RUCO Witness William Rigsby

RATE DESIGN
SCHEDULES

RESIDENTIAL RATE DESIGN

GOODMAN WATER COMPANY - RESIDENTIAL RATE DESIGN
TEST YEAR ENDED DECEMBER 31, 2009
SUMMARY OF PRESENT, COMPANY PROPOSED & RUCO RECOMMENDED RATES

DOCKET NO. W-02500A-10-0382
SCHEDULE TJC RD-1

RATE SUMMARY

Present Rates

A	B	C	D	E	F	G	H	I	J	K	L	M
Meter Size	Number of Bills	Total Gallons Consumed (Midrange)	Minimum Gallons	Monthly Minimum Charge	Metered Minimum Revenue B X E	Tier One Gallons Subject to Comodity Charge (Midrange)	Tier One Commodity Revenue per 1,000 Gal.	Tier Two Gallons Subject to Comodity Charge (Midrange)	Tier Two Commodity Revenue per 1,000 Gal.	Tier Three Gallons Subject to Comodity Charge (Midrange)	Tier Three Commodity Revenue per 1,000 Gal.	Total Metered Revenue F + H + J + L
5/8 - INCH	6,379	384,291,369	0	$42.20	$269,197	21,179,764	$83,660	10,369,830	$61,286	3,385,985	$24,074	$438,217
3/4 - INCH	914	64,836,365	0	63.30	57,857	2,855,540	11,279	1,765,550	10,434	1,273,125	9,052	88,623
1 - INCH	45	3,822,500	0	105.50	4,748	338,500	2,001	9,000	64	0	0	6,812
1 1/2 - INCH	0	0	0	211.50	0	0	0	0	0	0	0	0
2 - INCH	0	0	0	339.68	0	0	0	0	0	0	0	0
3 - INCH	0	0	0	675.20	0	0	0	0	0	0	0	0
4 - INCH	0	0	0	1,055.00	0	0	0	0	0	0	0	0
6 - INCH	0	0	0	2,110.00	0	0	0	0	0	0	0	0
8 - INCH	0	0	0	0.00	0	0	0	0	0	0	0	0
10 - INCH	0	0	0	0.00	0	0	0	0	0	0	0	0
	7,338	452,950,234	0		$331,801	24,373,804	$96,940	12,144,380	$71,784	4,659,110	$33,126	$533,651

Company Proposed Rates

A	B	C	D	E	F	G	H	I	J	K	L	M
Meter Size	Number of Bills	Total Gallons Consumed (Midrange)	Minimum Gallons	Monthly Minimum Charge	Metered Minimum Revenue B X E	Tier One Gallons Subject to Comodity Charge (Midrange)	Tier One Commodity Revenue per 1,000 Gal.	Tier Two Gallons Subject to Comodity Charge (Midrange)	Tier Two Commodity Revenue per 1,000 Gal.	Tier Three Gallons Subject to Comodity Charge (Midrange)	Tier Three Commodity Revenue per 1,000 Gal.	Total Metered Revenue F + H + J + L
5/8 - INCH	6,379	384,291,369	0	$56.97	$363,415	21,179,764	$143,931	10,369,830	$113,195	3,385,985	$44,466	$665,007
3/4 - INCH	914	64,836,365	0	85.46	78,107	2,855,540	19,405	1,765,550	19,272	1,273,125	16,719	133,504
1 - INCH	45	3,822,500	0	142.43	6,409	338,500	3,695	9,000	118	0	0	10,223
1 1/2 - INCH	0	0	0	284.85	0	0	0	0	0	0	0	0
2 - INCH	0	0	0	455.76	0	0	0	0	0	0	0	0
3 - INCH	0	0	0	911.52	0	0	0	0	0	0	0	0
4 - INCH	0	0	0	1,424.25	0	0	0	0	0	0	0	0
6 - INCH	0	0	0	2,848.50	0	0	0	0	0	0	0	0
8 - INCH	0	0	0	0.00	0	0	0	0	0	0	0	0
10 - INCH	0	0	0	0.00	0	0	0	0	0	0	0	0
	7,338	452,950,234	0		$447,931	24,373,804	$167,031	12,144,380	$132,585	4,659,110	$61,185	$808,733

RUCO Recommended Rates

A	B	C	D	E	F	G	H	I	J	K	L	M
Meter Size	Number of Bills	Total Gallons Consumed (Midrange)	Minimum Gallons	Monthly Minimum Charge	Metered Minimum Revenue B X E	Tier One Gallons Subject to Comodity Charge (Midrange)	Tier One Commodity Revenue per 1,000 Gal.	Tier Two Gallons Subject to Comodity Charge (Midrange)	Tier Two Commodity Revenue per 1,000 Gal.	Tier Three Gallons Subject to Comodity Charge (Midrange)	Tier Three Commodity Revenue per 1,000 Gal.	Total Metered Revenue F + H + J + L
5/8 - INCH	6,379	384,291,369	0	$38.60	$246,232	21,179,764	$95,309	10,369,830	$69,996	3,385,985	$27,426	$438,964
3/4 - INCH	914	64,836,365	0	57.90	52,921	2,855,540	12,850	1,765,550	11,917	1,273,125	10,312	88,001
1 - INCH	45	3,822,500	0	96.50	4,343	338,500	2,285	9,000	73	0	0	6,700
1 1/2 - INCH	0	0	0	193.00	0	0	0	0	0	0	0	0
2 - INCH	0	0	0	308.80	0	0	0	0	0	0	0	0
3 - INCH	0	0	0	579.00	0	0	0	0	0	0	0	0
4 - INCH	0	0	0	965.00	0	0	0	0	0	0	0	0
6 - INCH	0	0	0	1,930.00	0	0	0	0	0	0	0	0
8 - INCH	0	0	0	3,860.00	0	0	0	0	0	0	0	0
10 - INCH	0	0	0	7,720.00	0	0	0	0	0	0	0	0
	7,338	452,950,234	0		$303,496	24,373,804	$110,444	12,144,380	$81,987	4,659,110	$37,739	$533,665

GOODMAN WATER COMPANY - RESIDENTIAL RATE DESIGN
TEST YEAR ENDED DECEMBER 31, 2009
REVENUE COMPARISON

DOCKET NO. W-02500A-10-0382
SCHEDULE TJC RD-2

LINE NO.	METER SIZE	PERESENT RATES MONTHLY MINIMUM	PERESENT RATES COMMODITY CHARGE	PERESENT RATES TOTAL REVENUE	COMPANY PROPOSED RATES MONTHLY MINIMUM	COMPANY PROPOSED RATES COMMODITY CHARGE	COMPANY PROPOSED RATES TOTAL REVENUE	RUCO RECOMMENDED RATES MONTHLY MINIMUM	RUCO RECOMMENDED RATES COMMODITY CHARGE	RUCO RECOMMENDED RATES TOTAL REVENUE
1	5/8 - INCH	$ 269,197	$ 169,020	$ 438,217	$ 363,415	$ 301,592	$ 665,007	$ 246,232	$ 192,732	$ 438,964
2	3/4 - INCH	57,857	30,766	88,623	78,107	55,397	133,504	52,921	35,080	88,001
3	1 - INCH	4,748	2,065	6,812	6,409	3,813	10,223	4,343	2,358	6,700
4	1 1/2 - INCH	-	-	-	-	-	-	-	-	-
5	2 - INCH	-	-	-	-	-	-	-	-	-
6	3 - INCH	-	-	-	-	-	-	-	-	-
7	4 - INCH	-	-	-	-	-	-	-	-	-
8	6 - INCH	-	-	-	-	-	-	-	-	-
9	8 - INCH	-	-	-	-	-	-	-	-	-
10	10 - INCH	-	-	-	-	-	-	-	-	-
11	**TOTALS**	**$ 331,801**	**$ 201,850**	**$ 533,651**	**$ 447,931**	**$ 360,802**	**$ 808,733**	**$ 303,496**	**$ 230,169**	**$ 533,665**
12	**PERCENTAGE**	**62.18%**	**37.82%**	**100.00%**	**55.39%**	**44.61%**	**100.00%**	**56.87%**	**43.13%**	**100.00%**

GOODMAN WATER COMPANY - RESIDENTIAL RATE DESIGN
TEST YEAR ENDED DECEMBER 31, 2009
RECOMMENDED RATES

DOCKET NO. W-02500A-10-0382
SCHEDULE TJC RD-3

LINE NO.	DESCRIPTION					PRESENT RATES	COMPANY PROPOSED	RUCO PROPOSED
1	**RECOMMENDED MONTHLY MINIMUM USAGE CHARGE:**							
2								
3	(RESIDENTIAL, COMMERCIAL AND MISC. CUSTOMERS)							
4	5/8 - INCH					$42.20	$56.97	$38.60
5	3/4 - INCH					63.30	85.46	57.90
6	1 - INCH					105.50	142.43	96.50
7	1 1/2 - INCH					211.50	284.85	193.00
8	2 - INCH					339.68	455.76	308.80
9	3 - INCH					675.20	911.52	579.00
10	4 - INCH					1,055.00	1,424.25	965.00
11	6 - INCH					2,110.00	2,848.50	1,930.00
12	8 - INCH					0.00	0.00	3,860.00
13	10 - INCH					0.00	0.00	7,720.00
14								
15	**GALLONS INCLUDED IN MONTHLY MINIMUM USAGE CHARGE:**							
16								
17	RESIDENTIAL, COMMERCIAL AND MISC. CUSTOMERS					0	0	0
18								
19	**RECOMMENDED COMMODITY RATES BY METER SIZE**							
20								
21	5/8 - INCH							
22	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	ZERO	TO	4,000	GALLONS:	$ 3.95	$ 6.80	$ 4.50
23	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	4,001	TO	9,000	GALLONS:	$ 5.91	$ 10.92	$ 6.75
24	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	OVER		9,000	GALLONS:	$ 7.11	$ 13.13	$ 8.10
25								
26	3/4 - INCH							
27	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	ZERO	TO	4,000	GALLONS:	$ 3.95	$ 6.80	$ 4.50
28	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	OVER		9,000	GALLONS:	$ 5.91	$ 10.92	$ 6.75
29	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	OVER		9,000	GALLONS:	$ 7.11	$ 13.13	$ 8.10
30								
31	1 - INCH							
32	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	ZERO	TO	22,500	GALLONS:	$ 5.91	$ 10.92	$ 6.75
33	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	OVER		999,999,999,999,999,000	GALLONS:	$ 7.11	$ 13.13	$ 8.10
34	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	OVER		999,999,999,999,999,000	GALLONS:	$ -	$ 13.13	$ -
35								
36	1 1/2 - INCH							
37	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	ZERO	TO	34,000	GALLONS:	$ 5.91	$ 10.92	$ 6.75
38	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	OVER		999,999,999,999,999,000	GALLONS:	$ 7.11	$ 13.13	$ 8.10
39	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	OVER		999,999,999,999,999,000	GALLONS:	$ -	$ -	$ -
40								
41	2 - INCH							
42	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	ZERO	TO	45,000	GALLONS:	$ 5.91	$ 10.92	$ 6.75
43	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	45,001	TO	999,999,999,999,999,000	GALLONS:	$ 7.11	$ 13.13	$ 8.10
44	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	OVER		999,999,999,999,999,000	GALLONS:	$ -	$ -	$ -
45								
46	3 - INCH							
47	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	ZERO	TO	68,000	GALLONS:	$ 5.91	$ 10.92	$ 6.75
48	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	68,001	TO	999,999,999,999,999,000	GALLONS:	$ 7.11	$ 13.13	$ 8.10
49	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	OVER		999,999,999,999,999,000	GALLONS:	$ -	$ -	$ -
50								
51	4 - INCH							
52	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	ZERO	TO	90,000	GALLONS:	$ 5.91	$ 10.92	$ 6.75
53	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	90,001	TO	999,999,999,999,999,000	GALLONS:	$ 7.11	$ 13.13	$ 8.10
54	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	OVER		999,999,999,999,999,000	GALLONS:	$ -	$ -	$ -
55								
56	6 - INCH							
57	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	ZERO	TO	135,000	GALLONS:	$ 5.91	$ 10.92	$ 6.75
58	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	135,001	TO	999,999,999,999,999,000	GALLONS:	$ 7.11	$ 13.13	$ 8.10
59	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	OVER		999,999,999,999,999,000	GALLONS:	$ -	$ -	$ -
60								
61	8 - INCH							
62	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	ZERO	TO	0	GALLONS:	$ 5.91	$ 10.92	$ 6.75
63	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	OVER		999,999,999,999,999,000	GALLONS:	$ 7.11	$ 13.13	$ 8.10
64	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	OVER		999,999,999,999,999,000	GALLONS:	$ -	$ -	$ -
65								
66	10 - INCH							
67	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	ZERO	TO	0	GALLONS:	$ 5.91	$ 10.92	$ 6.75
68	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	OVER		999,999,999,999,999,000	GALLONS:	$ 7.11	$ 13.13	$ 8.10
69	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	OVER		999,999,999,999,999,000	GALLONS:	$ -	$ -	$ -

GOODMAN WATER COMPANY - RESIDENTIAL RATE DESIGN
TEST YEAR ENDED DECEMBER 31, 2009
MONTHLY MINIMUM CHARGES

DOCKET NO. W-02500A-10-0382
SCHEDULE TJC RD-4

LINE NO.	METER SIZE	(A) COMPANY PRESENT RATES	(B) COMPANY PROPOSED RATES	(C) COMPANY DOLLAR INCREASE	(D) COMPANY PERCENT. INCREASE	(E) RUCO RECOMMENDED RATES	(F) RUCO DOLLAR INCREASE	(G) RUCO PERCENT. INCREASE
1	5/8 - INCH	$ 42.20	$ 56.97	$ 14.77	35.00%	$ 38.60	$ (3.60)	-8.53%
2	3/4 - INCH	63.30	85.46	22.16	35.00%	57.90	(5.40)	-8.53%
3	1 - INCH	105.50	142.43	36.93	35.00%	96.50	(9.00)	-8.53%
4	1 1/2 - INCH	211.50	284.85	73.35	34.68%	193.00	(18.50)	-8.75%
5	2 - INCH	339.68	455.76	116.08	34.17%	308.80	(30.88)	-9.09%
6	3 - INCH	675.20	911.52	236.32	35.00%	579.00	(96.20)	-14.25%
7	4 - INCH	1,055.00	1,424.25	369.25	35.00%	965.00	(90.00)	-8.53%
8	6 - INCH	2,110.00	2,848.50	738.50	35.00%	1,930.00	(180.00)	-8.53%
9	GALLONS INCLUDED IN MONHTLY MINIMUM CHARGE	0	0			0		

REFERENCES
COLUMN (A) THRU COLUMN (D): COMPANY SCHEDULE H-3, PAGE 1 OF 3
COLUMN (E): TESTIMONY TJC
COLUMN (F): COLUMN (E) - COLUMN (A)
COLUMN (G): COLUMN (F) ÷ COLUMN (A)

GOODMAN WATER COMPANY - RESIDENTIAL RATE DESIGN
TEST YEAR ENDED DECEMBER 31, 2009
BILLING ANALYSIS

DOCKET NO. W-02500A-10-0382
SCHEDULE TJC RD-5

RUCO RECOMMENDED RATES

LINE NO.	CONSUMPTION IN GALLONS	(A) 5/8 - INCH	(B) 3/4 - INCH	(C) 1 - INCH	(D) 1.5 - INCH	(E) 2 - INCH	(F) 3 - INCH	(G) 4 - INCH	(H) 6 - INCH	(G) 8 - INCH	(H) 10 - INCH
1	0	$38.60	$57.90	$96.50	$193.00	$308.80	$579.00	$965.00	$1,930.00	$3,860.00	$7,720.00
2	1,000	43.10	62.40	103.25	199.75	315.55	585.75	971.75	1,936.75	3,868.10	7,728.10
3	2,000	47.60	66.90	110.00	206.50	322.30	592.50	978.50	1,943.50	3,876.20	7,736.20
4	3,000	52.10	71.40	116.75	213.25	329.05	599.25	985.25	1,950.25	3,884.30	7,744.30
5	4,000	56.60	75.90	123.50	220.00	335.80	606.00	992.00	1,957.00	3,892.40	7,752.40
6	5,000	63.35	82.65	130.25	226.75	342.55	612.75	998.75	1,963.75	3,900.50	7,760.50
7	6,000	70.10	89.40	137.00	233.50	349.30	619.50	1,005.50	1,970.50	3,908.60	7,768.60
8	7,000	76.85	96.15	143.75	240.25	356.05	626.25	1,012.25	1,977.25	3,916.70	7,776.70
9	8,000	83.60	102.90	150.50	247.00	362.80	633.00	1,019.00	1,984.00	3,924.80	7,784.80
10	9,000	90.35	109.65	157.25	253.75	369.55	639.75	1,025.75	1,990.75	3,932.90	7,792.90
11	10,000	98.45	117.75	164.00	260.50	376.30	646.50	1,032.50	1,997.50	3,941.00	7,801.00
12	15,000	138.95	158.25	197.75	294.25	410.05	680.25	1,066.25	2,031.25	3,981.50	7,841.50
13	20,000	179.45	198.75	231.50	328.00	443.80	714.00	1,100.00	2,065.00	4,022.00	7,882.00
14	25,000	219.95	239.25	268.63	361.75	477.55	747.75	1,133.75	2,098.75	4,062.50	7,922.50
15	50,000	422.45	441.75	471.13	552.10	653.05	916.50	1,302.50	2,267.50	4,265.00	8,125.00
16	75,000	624.95	644.25	673.63	754.60	855.55	1,094.70	1,471.25	2,436.25	4,467.50	8,327.50
17	100,000	827.45	846.75	876.13	957.10	1,058.05	1,297.20	1,653.50	2,605.00	4,670.00	8,530.00
18	125,000	1,029.95	1,049.25	1,078.63	1,159.60	1,260.55	1,499.70	1,856.00	2,773.75	4,872.50	8,732.50
19	150,000	1,232.45	1,251.75	1,281.13	1,362.10	1,463.05	1,702.20	2,058.50	2,962.75	5,075.00	8,935.00
20	175,000	1,434.95	1,454.25	1,483.63	1,564.60	1,665.55	1,904.70	2,261.00	3,165.25	5,277.50	9,137.50
21	200,000	1,637.45	1,656.75	1,686.13	1,767.10	1,868.05	2,107.20	2,463.50	3,367.75	5,480.00	9,340.00
22	250,000	2,042.45	2,061.75	2,091.13	2,172.10	2,273.05	2,512.20	2,868.50	3,772.75	5,885.00	9,745.00
23	500,000	4,067.45	4,086.75	4,116.13	4,197.10	4,298.05	4,537.20	4,893.50	5,797.75	7,910.00	11,770.00
24	1,000,000	8,117.45	8,136.75	8,166.13	8,247.10	8,348.05	8,587.20	8,943.50	9,847.75	11,960.00	15,820.00
25	2,000,000	16,217.45	16,236.75	16,266.13	16,347.10	16,448.05	16,687.20	17,043.50	17,947.75	20,060.00	23,920.00
26	3,000,000	24,317.45	24,336.75	24,366.13	24,447.10	24,548.05	24,787.20	25,143.50	26,047.75	28,160.00	32,020.00
27	4,000,000	32,417.45	32,436.75	32,466.13	32,547.10	32,648.05	32,887.20	33,243.50	34,147.75	36,260.00	40,120.00
28	5,000,000	40,517.45	40,536.75	40,566.13	40,647.10	40,748.05	40,987.20	41,343.50	42,247.75	44,360.00	48,220.00
29											
30											
31	AVG. NO. OF CUST:	532	76	4	0	0	0	0	0	0	0
32											
33	AVG. USE (GAL.):	5,477	6,449	7,722	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
34	MONTHLY BILL:	$66.57	$92.43	$148.63	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
35											
36	MEDIAN USE (GAL.) :	4,718	4,920	7,071	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
37	MONTHLY BILL:	$61.45	$82.11	$144.23	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!

GOODMAN WATER COMPANY - RESIDENTIAL RATE DESIGN
TEST YEAR ENDED DECEMBER 31, 2009
BILLING ANALYSIS

DOCKET NO. W-02500A-10-0382
SCHEDULE TJC RD-6

RUCO RECOMMENDED CHANGES EXPRESSED IN DOLLARS

LINE NO.	CONSUMPTION IN GALLONS	(A) 5/8 - INCH	(B) 3/4 - INCH	(C) 1 - INCH	(D) 1.5 - INCH	(E) 2 - INCH	(F) 3 - INCH	(G) 4 - INCH	(H) 6 - INCH	(G) 8 - INCH	(H) 10 - INCH
1	0	($3.60)	($5.40)	($9.00)	($18.50)	($30.88)	($96.20)	($90.00)	($180.00)	$3,860.00	$7,720.00
2	1,000	(3.05)	(4.85)	(8.16)	(17.66)	(30.04)	(95.36)	(89.16)	(179.16)	3,860.99	7,720.99
3	2,000	(2.50)	(4.30)	(7.32)	(16.82)	(29.20)	(94.52)	(88.32)	(178.32)	3,861.98	7,721.98
4	3,000	(1.95)	(3.75)	(6.48)	(15.98)	(28.36)	(93.68)	(87.48)	(177.48)	3,862.97	7,722.97
5	4,000	(1.40)	(3.20)	(5.64)	(15.14)	(27.52)	(92.84)	(86.64)	(176.64)	3,863.96	7,723.96
6	5,000	(0.56)	(2.36)	(4.80)	(14.30)	(26.68)	(92.00)	(85.80)	(175.80)	3,864.95	7,724.95
7	6,000	0.28	(1.52)	(3.96)	(13.46)	(25.84)	(91.16)	(84.96)	(174.96)	3,865.94	7,725.94
8	7,000	1.12	(0.68)	(3.12)	(12.62)	(25.00)	(90.32)	(84.12)	(174.12)	3,866.93	7,726.93
9	8,000	1.96	0.16	(2.28)	(11.78)	(24.16)	(89.48)	(83.28)	(173.28)	3,867.92	7,727.92
10	9,000	2.80	1.00	(1.44)	(10.94)	(23.32)	(88.64)	(82.44)	(172.44)	3,868.91	7,728.91
11	10,000	3.79	1.99	(0.60)	(10.10)	(22.48)	(87.80)	(81.60)	(171.60)	3,869.90	7,729.90
12	15,000	8.74	6.94	3.60	(5.90)	(18.28)	(83.60)	(77.40)	(167.40)	3,874.85	7,734.85
13	20,000	13.69	11.89	7.80	(1.70)	(14.08)	(79.40)	(73.20)	(163.20)	3,879.80	7,739.80
14	25,000	18.64	16.84	12.38	2.50	(9.88)	(75.20)	(69.00)	(159.00)	3,884.75	7,744.75
15	50,000	43.39	41.59	37.13	25.90	11.87	(54.20)	(48.00)	(138.00)	3,909.50	7,769.50
16	75,000	68.14	66.34	61.88	50.65	36.62	(32.15)	(27.00)	(117.00)	3,934.25	7,794.25
17	100,000	92.89	91.09	86.63	75.40	61.37	(7.40)	(4.50)	(96.00)	3,959.00	7,819.00
18	125,000	117.64	115.84	111.38	100.15	86.12	17.35	20.25	(75.00)	3,983.75	7,843.75
19	150,000	142.39	140.59	136.13	124.90	110.87	42.10	45.00	(51.75)	4,008.50	7,868.50
20	175,000	167.14	165.34	160.88	149.65	135.62	66.85	69.75	(27.00)	4,033.25	7,893.25
21	200,000	191.89	190.09	185.63	174.40	160.37	91.60	94.50	(2.25)	4,058.00	7,918.00
22	250,000	241.39	239.59	235.13	223.90	209.87	141.10	144.00	47.25	4,107.50	7,967.50
23	500,000	488.89	487.09	482.63	471.40	457.37	388.60	391.50	294.75	4,355.00	8,215.00
24	1,000,000	983.89	982.09	977.63	966.40	952.37	883.60	886.50	789.75	4,850.00	8,710.00
25	2,000,000	1,973.89	1,972.09	1,967.63	1,956.40	1,942.37	1,873.60	1,876.50	1,779.75	5,840.00	9,700.00
26	3,000,000	2,963.89	2,962.09	2,957.63	2,946.40	2,932.37	2,863.60	2,866.50	2,769.75	6,830.00	10,690.00
27	4,000,000	3,953.89	3,952.09	3,947.63	3,936.40	3,922.37	3,853.60	3,856.50	3,759.75	7,820.00	11,680.00
28	5,000,000	4,943.89	4,942.09	4,937.63	4,926.40	4,912.37	4,843.60	4,846.50	4,749.75	8,810.00	12,670.00
29											
30											
31	AVG. NO. OF CUST:	532	76	4	0	0	0	0	0	0	0
32											
33	AVG. USE (GAL.):	5,477	6,449	7,722	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
34	MONTHLY BILL:	($0.16)	($1.14)	($2.51)	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
35											
36	MEDIAN USE (GAL.) :	4,718	4,920	7,071	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
37	MONTHLY BILL:	($0.79)	($2.42)	($3.06)	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!

COMMERCIAL RATE DESIGN

GOODMAN WATER COMPANY - COMMERCIAL RATE DESIGN
TEST YEAR ENDED DECEMBER 31, 2009
SUMMARY OF PRESENT, COMPANY PROPOSED & RUCO RECOMMENDED RATES

DOCKET NO. W-02500A-10-0382
SCHEDULE TJC RD-1

RATE SUMMARY

Present Rates

A	B	C	D	E	F	G	H	I	J	K	L	M
Meter Size	Number of Bills	Total Gallons Consumed (Midrange)	Minimum Gallons	Monthly Minimum Charge	Metered Minimum Revenue B X E	Tier One Gallons Subject to Comodity Charge (Midrange)	Tier One Commodity Revenue per 1,000 Gal.	Tier Two Gallons Subject to Comodity Charge (Midrange)	Tier Two Commodity Revenue per 1,000 Gal.	Tier Three Gallons Subject to Comodity Charge (Midrange)	Tier Three Commodity Revenue per 1,000 Gal.	Total Metered Revenue F + H + J + L
5/8 - INCH	0	0	0	$42.20	$0	0	$0	0	$0	0	$0	$0
3/4 - INCH	0	0	0	63.30	0	0	0	0	0	0	0	0
1 - INCH	26	17,675,900	0	105.50	2,756	484,900	2,866	1,122,000	7,977	0	0	13,599
1 1/2 - INCH	2	66,000	0	211.50	423	6,000	35	0	0	0	0	458
2 - INCH	19	13,745,661	0	339.68	6,458	751,995	4,444	497,611	3,538	0	0	14,440
3 - INCH	0	0	0	675.20	0	0	0	0	0	0	0	0
4 - INCH	0	0	0	1,055.00	0	0	0	0	0	0	0	0
6 - INCH	0	0	0	2,110.00	0	0	0	0	0	0	0	0
8 - INCH	0	0	0	0.00	0	0	0	0	0	0	0	0
10 - INCH	0	0	0	0.00	0	0	0	0	0	0	0	0
	47	31,487,561	0		$9,636	1,242,895	$7,346	1,619,611	$11,515	0	$0	$28,497

Company Proposed Rates

A	B	C	D	E	F	G	H	I	J	K	L	M
Meter Size	Number of Bills	Total Gallons Consumed (Midrange)	Minimum Gallons	Monthly Minimum Charge	Metered Minimum Revenue B X E	Tier One Gallons Subject to Comodity Charge (Midrange)	Tier One Commodity Revenue per 1,000 Gal.	Tier Two Gallons Subject to Comodity Charge (Midrange)	Tier Two Commodity Revenue per 1,000 Gal.	Tier Three Gallons Subject to Comodity Charge (Midrange)	Tier Three Commodity Revenue per 1,000 Gal.	Total Metered Revenue F + H + J + L
5/8 - INCH	0	0	0	$56.97	$0	0	$0	0	$0	0	$0	$0
3/4 - INCH	0	0	0	85.46	0	0	0	0	0	0	0	0
1 - INCH	26	17,675,900	0	142.43	3,720	484,900	5,297	1,122,000	14,736	0	0	23,754
1 1/2 - INCH	2	66,000	0	284.85	570	6,000	66	0	0	0	0	635
2 - INCH	19	13,745,661	0	455.76	8,664	751,995	8,212	497,611	6,533	0	0	23,409
3 - INCH	0	0	0	911.52	0	0	0	0	0	0	0	0
4 - INCH	0	0	0	1,424.25	0	0	0	0	0	0	0	0
6 - INCH	0	0	0	2,848.50	0	0	0	0	0	0	0	0
8 - INCH	0	0	0	0.00	0	0	0	0	0	0	0	0
10 - INCH	0	0	0	0.00	0	0	0	0	0	0	0	0
	47	31,487,561	0		$12,955	1,242,895	$13,575	1,619,611	$21,269	0	$0	$47,799

RUCO Recommended Rates

A	B	C	D	E	F	G	H	I	J	K	L	M
Meter Size	Number of Bills	Total Gallons Consumed (Midrange)	Minimum Gallons	Monthly Minimum Charge	Metered Minimum Revenue B X E	Tier One Gallons Subject to Comodity Charge (Midrange)	Tier One Commodity Revenue per 1,000 Gal.	Tier Two Gallons Subject to Comodity Charge (Midrange)	Tier Two Commodity Revenue per 1,000 Gal.	Tier Three Gallons Subject to Comodity Charge (Midrange)	Tier Three Commodity Revenue per 1,000 Gal.	Total Metered Revenue F + H + J + L
5/8 - INCH	0	0	0	$38.60	$0	0	$0	0	$0	0	$0	$0
3/4 - INCH	0	0	0	57.90	0	0	0	0	0	0	0	0
1 - INCH	26	17,675,900	0	96.50	2,521	484,900	3,273	1,122,000	9,088	0	0	14,882
1 1/2 - INCH	2	66,000	0	193.00	386	6,000	41	0	0	0	0	427
2 - INCH	19	13,745,661	0	308.80	5,871	751,995	5,076	751,995	4,031	0	0	14,977
3 - INCH	0	0	0	579.00	0	0	0	0	0	0	0	0
4 - INCH	0	0	0	965.00	0	0	0	0	0	0	0	0
6 - INCH	0	0	0	1,930.00	0	0	0	0	0	0	0	0
8 - INCH	0	0	0	3,860.00	0	0	0	0	0	0	0	0
10 - INCH	0	0	0	7,720.00	0	0	0	0	0	0	0	0
	47	31,487,561	0		$8,777	1,242,895	$8,390	1,873,995	$13,119	0	$0	$30,286

GOODMAN WATER COMPANY - COMMERCIAL RATE DESIGN
TEST YEAR ENDED DECEMBER 31, 2009
REVENUE COMPARISON

DOCKET NO. W-02500A-10-0382
SCHEDULE TJC RD-2

LINE NO.	METER SIZE	PERESENT RATES MONTHLY MINIMUM	PERESENT RATES COMMODITY CHARGE	PERESENT RATES TOTAL REVENUE	COMPANY PROPOSED RATES MONTHLY MINIMUM	COMPANY PROPOSED RATES COMMODITY CHARGE	COMPANY PROPOSED RATES TOTAL REVENUE	RUCO RECOMMENDED RATES MONTHLY MINIMUM	RUCO RECOMMENDED RATES COMMODITY CHARGE	RUCO RECOMMENDED RATES TOTAL REVENUE
1	5/8 - INCH	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
2	3/4 - INCH	-	-	-	-	-	-	-	-	-
3	1 - INCH	2,756	10,843	13,599	3,720	20,034	23,754	2,521	12,361	14,882
4	1 1/2 - INCH	423	35	458	570	66	635	386	41	427
5	2 - INCH	6,458	7,982	14,440	8,664	14,745	23,409	5,871	9,107	14,977
6	3 - INCH	-	-	-	-	-	-	-	-	-
7	4 - INCH	-	-	-	-	-	-	-	-	-
8	6 - INCH	-	-	-	-	-	-	-	-	-
9	8 - INCH	-	-	-	-	-	-	-	-	-
10	10 - INCH	-	-	-	-	-	-	-	-	-
11	**TOTALS**	**$ 9,636**	**$ 18,861**	**$ 28,497**	**$ 12,955**	**$ 34,844**	**$ 47,799**	**$ 8,777**	**$ 21,508**	**$ 30,286**
12	**PERCENTAGE**	**33.81%**	**66.19%**	**100.00%**	**27.10%**	**72.90%**	**100.00%**	**28.98%**	**71.02%**	**100.00%**

GOODMAN WATER COMPANY - COMMERCIAL RATE DESIGN
TEST YEAR ENDED DECEMBER 31, 2009
RECOMMENDED RATES

DOCKET NO. W-02500A-10-0382
SCHEDULE TJC RD-3

LINE NO.	DESCRIPTION						PRESENT RATES	COMPANY PROPOSED	RUCO PROPOSED
1	**RECOMMENDED MONTHLY MINIMUM USAGE CHARGE:**								
2									
3	(RESIDENTIAL, COMMERCIAL AND MISC. CUSTOMERS)								
4	5/8 - INCH						$42.20	$56.97	$38.60
5	3/4 - INCH						63.30	85.46	57.90
6	1 - INCH						105.50	142.43	96.50
7	1 1/2 - INCH						211.50	284.85	193.00
8	2 - INCH						339.68	455.76	308.80
9	3 - INCH						675.20	911.52	579.00
10	4 - INCH						1,055.00	1,424.25	965.00
11	6 - INCH						2,110.00	2,848.50	1,930.00
12	8 - INCH						0.00	0.00	3,860.00
13	10 - INCH						0.00	0.00	7,720.00
14									
15	**GALLONS INCLUDED IN MONTHLY MINIMUM USAGE CHARGE:**								
16									
17	RESIDENTIAL, COMMERCIAL AND MISC. CUSTOMERS						0	0	0
18									
19	**RECOMMENDED COMMODITY RATES BY METER SIZE**								
20									
21	5/8 - INCH								
22	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	ZERO	TO	4,000	GALLONS:		$ 3.95	$ 6.80	$ 4.50
23	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	4,001	TO	9,000	GALLONS:		$ 5.91	$ 10.92	$ 6.75
24	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	OVER		9,000	GALLONS:		$ 7.11	$ 13.13	$ 8.10
25									
26	3/4 - INCH								
27	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	ZERO	TO	4,000	GALLONS:		$ 3.95	$ 6.80	$ 4.50
28	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	OVER		9,000	GALLONS:		$ 5.91	$ 10.92	$ 6.75
29	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	OVER		9,000	GALLONS:		$ 7.11	$ 13.13	$ 8.10
30									
31	1 - INCH								
32	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	ZERO	TO	22,500	GALLONS:		$ 5.91	$ 10.92	$ 6.75
33	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	OVER		#########	GALLONS:		$ 7.11	$ 13.13	$ 8.10
34	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	OVER		#########	GALLONS:		$ -	$ 13.13	$ -
35									
36	1 1/2 - INCH								
37	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	ZERO	TO	34,000	GALLONS:		$ 5.91	$ 10.92	$ 6.75
38	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	OVER		#########	GALLONS:		$ 7.11	$ 13.13	$ 8.10
39	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	OVER		#########	GALLONS:		$ -	$ -	$ -
40									
41	2 - INCH								
42	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	ZERO	TO	45,000	GALLONS:		$ 5.91	$ 10.92	$ 6.75
43	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	45,001	TO	#########	GALLONS:		$ 7.11	$ 13.13	$ 8.10
44	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	OVER		#########	GALLONS:		$ -	$ -	$ -
45									
46	3 - INCH								
47	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	ZERO	TO	68,000	GALLONS:		$ 5.91	$ 10.92	$ 6.75
48	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	68,001	TO	#########	GALLONS:		$ 7.11	$ 13.13	$ 8.10
49	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	OVER		#########	GALLONS:		$ -	$ -	$ -
50									
51	4 - INCH								
52	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	ZERO	TO	90,000	GALLONS:		$ 5.91	$ 10.92	$ 6.75
53	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	90,001	TO	#########	GALLONS:		$ 7.11	$ 13.13	$ 8.10
54	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	OVER		#########	GALLONS:		$ -	$ -	$ -
55									
56	6 - INCH								
57	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	ZERO	TO	135,000	GALLONS:		$ 5.91	$ 10.92	$ 6.75
58	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	135,001	TO	#########	GALLONS:		$ 7.11	$ 13.13	$ 8.10
59	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	OVER		#########	GALLONS:		$ -	$ -	$ -
60									
61	8 - INCH								
62	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	ZERO	TO	0	GALLONS:		$ 5.91	$ 10.92	$ 6.75
63	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	OVER		#########	GALLONS:		$ 7.11	$ 13.13	$ 8.10
64	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	OVER		#########	GALLONS:		$ -	$ -	$ -
65									
66	10 - INCH								
67	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	ZERO	TO	0	GALLONS:		$ 5.91	$ 10.92	$ 6.75
68	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	OVER		#########	GALLONS:		$ 7.11	$ 13.13	$ 8.10
69	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	OVER		#########	GALLONS:		$ -	$ -	$ -

GOODMAN WATER COMPANY - COMMERCIAL RATE DESIGN
TEST YEAR ENDED DECEMBER 31, 2009
MONTHLY MINIMUM CHARGES

DOCKET NO. W-02500A-10-0382
SCHEDULE TJC RD-4

LINE NO.	METER SIZE	(A) COMPANY PRESENT RATES	(B) COMPANY PROPOSED RATES	(C) COMPANY DOLLAR INCREASE	(D) COMPANY PERCENT. INCREASE	(E) RUCO RECOMMENDED RATES	(F) RUCO DOLLAR INCREASE	(G) RUCO PERCENT. INCREASE
1	5/8 - INCH	$ 42.20	$ 56.97	$ 14.77	35.00%	$ 38.60	$ (3.60)	-8.53%
2	3/4 - INCH	63.30	85.46	22.16	35.01%	57.90	(5.40)	-8.53%
3	1 - INCH	105.50	142.43	36.93	35.01%	96.50	(9.00)	-8.53%
4	1 1/2 - INCH	211.50	284.85	73.35	34.68%	193.00	(18.50)	-8.75%
5	2 - INCH	339.68	455.76	116.08	34.17%	308.80	(30.88)	-9.09%
6	3 - INCH	675.20	911.52	236.32	35.00%	579.00	(96.20)	-14.25%
7	4 - INCH	1,055.00	1,424.25	369.25	35.00%	965.00	(90.00)	-8.53%
8	6 - INCH	2,110.00	2,848.50	738.50	35.00%	1,930.00	(180.00)	-8.53%
9	8 - INCH	0.00	0.00	0.00	#DIV/0!	3,860.00	3,860.00	#DIV/0!
10	10 - INCH	0.00	0.00	0.00	#DIV/0!	7,720.00	7,720.00	#DIV/0!
11	GALLONS INCLUDED IN MONHTLY MINIMUM CHARGE	0	0			0		

REFERENCES
COLUMN (A) THRU COLUMN (D): COMPANY SCHEDULE H-3, PAGE 1 OF 3
COLUMN (E): TESTIMONY XXX
COLUMN (F): COLUMN (E) - COLUMN (A)
COLUMN (G): COLUMN (F) ÷ COLUMN (A)

GOODMAN WATER COMPANY - COMMERCIAL RATE DESIGN
TEST YEAR ENDED DECEMBER 31, 2009
BILLING ANALYSIS

DOCKET NO. W-02500A-10-0382
SCHEDULE TJC RD-5

RUCO RECOMMENDED RATES

LINE NO.	CONSUMPTION IN GALLONS	(A) 5/8 - INCH	(B) 3/4 - INCH	(C) 1 - INCH	(D) 1.5 - INCH	(E) 2 - INCH	(F) 3 - INCH	(G) 4 - INCH	(H) 6 - INCH	(G) 8 - INCH	(H) 10 - INCH
1	0	$38.60	$57.90	$96.50	$193.00	$308.80	$579.00	$965.00	$1,930.00	$3,860.00	$7,720.00
2	1,000	43.10	62.40	103.25	199.75	315.55	585.75	971.75	1,936.75	3,868.10	7,728.10
3	2,000	47.60	66.90	110.00	206.50	322.30	592.50	978.50	1,943.50	3,876.20	7,736.20
4	3,000	52.10	71.40	116.75	213.25	329.05	599.25	985.25	1,950.25	3,884.30	7,744.30
5	4,000	56.60	75.90	123.50	220.00	335.80	606.00	992.00	1,957.00	3,892.40	7,752.40
6	5,000	63.35	82.65	130.25	226.75	342.55	612.75	998.75	1,963.75	3,900.50	7,760.50
7	6,000	70.10	89.40	137.00	233.50	349.30	619.50	1,005.50	1,970.50	3,908.60	7,768.60
8	7,000	76.85	96.15	143.75	240.25	356.05	626.25	1,012.25	1,977.25	3,916.70	7,776.70
9	8,000	83.60	102.90	150.50	247.00	362.80	633.00	1,019.00	1,984.00	3,924.80	7,784.80
10	9,000	90.35	109.65	157.25	253.75	369.55	639.75	1,025.75	1,990.75	3,932.90	7,792.90
11	10,000	98.45	117.75	164.00	260.50	376.30	646.50	1,032.50	1,997.50	3,941.00	7,801.00
12	15,000	138.95	158.25	197.75	294.25	410.05	680.25	1,066.25	2,031.25	3,981.50	7,841.50
13	20,000	179.45	198.75	231.50	328.00	443.80	714.00	1,100.00	2,065.00	4,022.00	7,882.00
14	25,000	219.95	239.25	268.63	361.75	477.55	747.75	1,133.75	2,098.75	4,062.50	7,922.50
15	50,000	422.45	441.75	471.13	552.10	653.05	916.50	1,302.50	2,267.50	4,265.00	8,125.00
16	75,000	624.95	644.25	673.63	754.60	855.55	1,094.70	1,471.25	2,436.25	4,467.50	8,327.50
17	100,000	827.45	846.75	876.13	957.10	1,058.05	1,297.20	1,653.50	2,605.00	4,670.00	8,530.00
18	125,000	1,029.95	1,049.25	1,078.63	1,159.60	1,260.55	1,499.70	1,856.00	2,773.75	4,872.50	8,732.50
19	150,000	1,232.45	1,251.75	1,281.13	1,362.10	1,463.05	1,702.20	2,058.50	2,962.75	5,075.00	8,935.00
20	175,000	1,434.95	1,454.25	1,483.63	1,564.60	1,665.55	1,904.70	2,261.00	3,165.25	5,277.50	9,137.50
21	200,000	1,637.45	1,656.75	1,686.13	1,767.10	1,868.05	2,107.20	2,463.50	3,367.75	5,480.00	9,340.00
22	250,000	2,042.45	2,061.75	2,091.13	2,172.10	2,273.05	2,512.20	2,868.50	3,772.75	5,885.00	9,745.00
23	500,000	4,067.45	4,086.75	4,116.13	4,197.10	4,298.05	4,537.20	4,893.50	5,797.75	7,910.00	11,770.00
24	1,000,000	8,117.45	8,136.75	8,166.13	8,247.10	8,348.05	8,587.20	8,943.50	9,847.75	11,960.00	15,820.00
25	2,000,000	16,217.45	16,236.75	16,266.13	16,347.10	16,448.05	16,687.20	17,043.50	17,947.75	20,060.00	23,920.00
26	3,000,000	24,317.45	24,336.75	24,366.13	24,447.10	24,548.05	24,787.20	25,143.50	26,047.75	28,160.00	32,020.00
27	4,000,000	32,417.45	32,436.75	32,466.13	32,547.10	32,648.05	32,887.20	33,243.50	34,147.75	36,260.00	40,120.00
28	5,000,000	40,517.45	40,536.75	40,566.13	40,647.10	40,748.05	40,987.20	41,343.50	42,247.75	44,360.00	48,220.00
29											
30											
31	AVG. NO. OF CUST:	0	0	2	0	2	0	0	0	0	0
32											
33	AVG. USE (GAL.):	#DIV/0!	#DIV/0!	61,520	3,000	65,731	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
34	MONTHLY BILL:	#DIV/0!	#DIV/0!	$564.44	$213.25	$780.47	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
35											
36	MEDIAN USE (GAL.) :	#DIV/0!	#DIV/0!	100,392	3,000	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
37	MONTHLY BILL:	#DIV/0!	#DIV/0!	$879.30	$213.25	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!

GOODMAN WATER COMPANY - COMMERCIAL RATE DESIGN
TEST YEAR ENDED DECEMBER 31, 2009
BILLING ANALYSIS

DOCKET NO. W-02500A-10-0382
SCHEDULE TJC RD-6

RUCO RECOMMENDED CHANGES EXPRESSED IN DOLLARS

LINE NO.	CONSUMPTION IN GALLONS	(A) 5/8 - INCH	(B) 3/4 - INCH	(C) 1 - INCH	(D) 1.5 - INCH	(E) 2 - INCH	(F) 3 - INCH	(G) 4 - INCH	(H) 6 - INCH	(G) 8 - INCH	(H) 10 - INCH
1	0	($3.60)	($5.40)	($9.00)	($18.50)	($30.88)	($96.20)	($90.00)	($180.00)	$3,860.00	$7,720.00
2	1,000	(3.05)	(4.85)	(8.16)	(17.66)	(30.04)	(95.36)	(89.16)	(179.16)	3,860.99	7,720.99
3	2,000	(2.50)	(4.30)	(7.32)	(16.82)	(29.20)	(94.52)	(88.32)	(178.32)	3,861.98	7,721.98
4	3,000	(1.95)	(3.75)	(6.48)	(15.98)	(28.36)	(93.68)	(87.48)	(177.48)	3,862.97	7,722.97
5	4,000	(1.40)	(3.20)	(5.64)	(15.14)	(27.52)	(92.84)	(86.64)	(176.64)	3,863.96	7,723.96
6	5,000	(0.56)	(2.36)	(4.80)	(14.30)	(26.68)	(92.00)	(85.80)	(175.80)	3,864.95	7,724.95
7	6,000	0.28	(1.52)	(3.96)	(13.46)	(25.84)	(91.16)	(84.96)	(174.96)	3,865.94	7,725.94
8	7,000	1.12	(0.68)	(3.12)	(12.62)	(25.00)	(90.32)	(84.12)	(174.12)	3,866.93	7,726.93
9	8,000	1.96	0.16	(2.28)	(11.78)	(24.16)	(89.48)	(83.28)	(173.28)	3,867.92	7,727.92
10	9,000	2.80	1.00	(1.44)	(10.94)	(23.32)	(88.64)	(82.44)	(172.44)	3,868.91	7,728.91
11	10,000	3.79	1.99	(0.60)	(10.10)	(22.48)	(87.80)	(81.60)	(171.60)	3,869.90	7,729.90
12	15,000	8.74	6.94	3.60	(5.90)	(18.28)	(83.60)	(77.40)	(167.40)	3,874.85	7,734.85
13	20,000	13.69	11.89	7.80	(1.70)	(14.08)	(79.40)	(73.20)	(163.20)	3,879.80	7,739.80
14	25,000	18.64	16.84	12.38	2.50	(9.88)	(75.20)	(69.00)	(159.00)	3,884.75	7,744.75
15	50,000	43.39	41.59	37.13	25.90	11.87	(54.20)	(48.00)	(138.00)	3,909.50	7,769.50
16	75,000	68.14	66.34	61.88	50.65	36.62	(32.15)	(27.00)	(117.00)	3,934.25	7,794.25
17	100,000	92.89	91.09	86.63	75.40	61.37	(7.40)	(4.50)	(96.00)	3,959.00	7,819.00
18	125,000	117.64	115.84	111.38	100.15	86.12	17.35	20.25	(75.00)	3,983.75	7,843.75
19	150,000	142.39	140.59	136.13	124.90	110.87	42.10	45.00	(51.75)	4,008.50	7,868.50
20	175,000	167.14	165.34	160.88	149.65	135.62	66.85	69.75	(27.00)	4,033.25	7,893.25
21	200,000	191.89	190.09	185.63	174.40	160.37	91.60	94.50	(2.25)	4,058.00	7,918.00
22	250,000	241.39	239.59	235.13	223.90	209.87	141.10	144.00	47.25	4,107.50	7,967.50
23	500,000	488.89	487.09	482.63	471.40	457.37	388.60	391.50	294.75	4,355.00	8,215.00
24	1,000,000	983.89	982.09	977.63	966.40	952.37	883.60	886.50	789.75	4,850.00	8,710.00
25	2,000,000	1,973.89	1,972.09	1,967.63	1,956.40	1,942.37	1,873.60	1,876.50	1,779.75	5,840.00	9,700.00
26	3,000,000	2,963.89	2,962.09	2,957.63	2,946.40	2,932.37	2,863.60	2,866.50	2,769.75	6,830.00	10,690.00
27	4,000,000	3,953.89	3,952.09	3,947.63	3,936.40	3,922.37	3,853.60	3,856.50	3,759.75	7,820.00	11,680.00
28	5,000,000	4,943.89	4,942.09	4,937.63	4,926.40	4,912.37	4,843.60	4,846.50	4,749.75	8,810.00	12,670.00
29											
30											
31	AVG. NO. OF CUST:	0	0	2	0	2	0	0	0	0	0
32											
33	AVG. USE (GAL.):	#DIV/0!	#DIV/0!	61,520	3,000	65,731	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
34	MONTHLY BILL:	#DIV/0!	#DIV/0!	$48.53	($15.98)	$27.45	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
35											
36	MEDIAN USE (GAL.) :	#DIV/0!	#DIV/0!	100,392	3,000	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
37	MONTHLY BILL:	#DIV/0!	#DIV/0!	$87.02	($15.98)	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!

STANDPIPE RATE DESIGN

GOODMAN WATER COMPANY - CONSTRUCTION / STANDPIPE RATE DESIGN
TEST YEAR ENDED DECEMBER 31, 2009
SUMMARY OF PRESENT, COMPANY PROPOSED & RUCO RECOMMENDED RATES

DOCKET NO. W-02500A-10-0382
SCHEDULE TJC RD-1

RATE SUMMARY

Present Rates

A	B	C	D	E	F	G	H	I	J	K	L	M
Meter Size	Number of Bills	Total Gallons Consumed (Midrange)	Minimum Gallons	Monthly Minimum Charge	Metered Minimum Revenue B X E	Tier One Gallons Subject to Comodity Charge (Midrange)	Tier One Commodity Revenue per 1,000 Gal.	Tier Two Gallons Subject to Comodity Charge (Midrange)	Tier Two Commodity Revenue per 1,000 Gal.	Tier Three Gallons Subject to Comodity Charge (Midrange)	Tier Three Commodity Revenue per 1,000 Gal.	Total Metered Revenue F + H + J + L
5/8- INCH	12	5,347,337	0	$0.00	$0	486,122	$3,456	0	$0	0	$0	$3,456
3/4 - INCH	0	0	0	0.00	0	0	0	0	0	0	0	0
1 - INCH	0	0	0	0.00	0	0	0	0	0	0	0	0
1 1/2 - INCH	0	0	0	0.00	0	0	0	0	0	0	0	0
2 - INCH	0	0	0	0.00	0	0	0	0	0	0	0	0
3 - INCH	0	0	0	0.00	0	0	0	0	0	0	0	0
4 - INCH	0	0	0	0.00	0	0	0	0	0	0	0	0
6 - INCH	0	0	0	0.00	0	0	0	0	0	0	0	0
8 - INCH	0	0	0	0.00	0	0	0	0	0	0	0	0
10 - INCH	0	0	0	0.00	0	0	0	0	0	0	0	0
	12	5,347,337	0		$0	486,122	$3,456	0	$0	0	$0	$3,456

Company Proposed Rates

A	B	C	D	E	F	G	H	I	J	K	L	M
Meter Size	Number of Bills	Total Gallons Consumed (Midrange)	Minimum Gallons	Monthly Minimum Charge	Metered Minimum Revenue B X E	Tier One Gallons Subject to Comodity Charge (Midrange)	Tier One Commodity Revenue per 1,000 Gal.	Tier Two Gallons Subject to Comodity Charge (Midrange)	Tier Two Commodity Revenue per 1,000 Gal.	Tier Three Gallons Subject to Comodity Charge (Midrange)	Tier Three Commodity Revenue per 1,000 Gal.	Total Metered Revenue F + H + J + L
5/8- INCH	12	5,347,337	0	$0.00	$0	486,122	$6,382	0	$0	0	$0	$6,382
3/4 - INCH	0	0	0	0.00	0	0	0	0	0	0	0	0
1 - INCH	0	0	0	0.00	0	0	0	0	0	0	0	0
1 1/2 - INCH	0	0	0	0.00	0	0	0	0	0	0	0	0
2 - INCH	0	0	0	0.00	0	0	0	0	0	0	0	0
3 - INCH	0	0	0	0.00	0	0	0	0	0	0	0	0
4 - INCH	0	0	0	0.00	0	0	0	0	0	0	0	0
6 - INCH	0	0	0	0.00	0	0	0	0	0	0	0	0
8 - INCH	0	0	0	0.00	0	0	0	0	0	0	0	0
10 - INCH	0	0	0	0.00	0	0	0	0	0	0	0	0
	12	5,347,337	0		$0	486,122	$6,382	0	$0	0	$0	$6,382

RUCO Recommended Rates

A	B	C	D	E	F	G	H	I	J	K	L	M
Meter Size	Number of Bills	Total Gallons Consumed (Midrange)	Minimum Gallons	Monthly Minimum Charge	Metered Minimum Revenue B X E	Tier One Gallons Subject to Comodity Charge (Midrange)	Tier One Commodity Revenue per 1,000 Gal.	Tier Two Gallons Subject to Comodity Charge (Midrange)	Tier Two Commodity Revenue per 1,000 Gal.	Tier Three Gallons Subject to Comodity Charge (Midrange)	Tier Three Commodity Revenue per 1,000 Gal.	Total Metered Revenue F + H + J + L
5/8- INCH	12	5,347,337	0	$0.00	$0	486,122	$3,938	0	$0	0	$0	$3,938
3/4 - INCH	0	0	0	0.00	0	0	0	0	0	0	0	0
1 - INCH	0	0	0	0.00	0	0	0	0	0	0	0	0
1 1/2 - INCH	0	0	0	0.00	0	0	0	0	0	0	0	0
2 - INCH	0	0	0	0.00	0	0	0	0	0	0	0	0
3 - INCH	0	0	0	0.00	0	0	0	0	0	0	0	0
4 - INCH	0	0	0	0.00	0	0	0	0	0	0	0	0
6 - INCH	0	0	0	0.00	0	0	0	0	0	0	0	0
8 - INCH	0	0	0	0.00	0	0	0	0	0	0	0	0
10 - INCH	0	0	0	0.00	0	0	0	0	0	0	0	0
	12	5,347,337	0		$0	486,122	$3,938	0	$0	0	$0	$3,938

GOODMAN WATER COMPANY - CONSTRUCTION / STANDPIPE RATE DESIGN
TEST YEAR ENDED DECEMBER 31, 2009
RECOMMENDED RATES

DOCKET NO. W-02500A-10-0382
SCHEDULE TJC RD-1

LINE NO.	DESCRIPTION					PRESENT RATES	COMPANY PROPOSED	RUCO PROPOSED
1	**RECOMMENDED MONTHLY MINIMUM USAGE CHARGE:**							
2								
3	(RESIDENTIAL, COMMERCIAL AND MISC. CUSTOMERS)							
4	5/8- INCH					$0.00	$0.00	$0.00
5	3/4 - INCH					0.00	0.00	0.00
6	1 - INCH					0.00	0.00	0.00
7	1 1/2 - INCH					0.00	0.00	0.00
8	2 - INCH					0.00	0.00	0.00
9	3 - INCH					0.00	0.00	0.00
10	4 - INCH					0.00	0.00	0.00
11	6 - INCH					0.00	0.00	0.00
12	8 - INCH					0.00	0.00	0.00
13	10 - INCH					0.00	0.00	0.00
14								
15	**GALLONS INCLUDED IN MONTHLY MINIMUM USAGE CHARGE:**							
16								
17	RESIDENTIAL, COMMERCIAL AND MISC. CUSTOMERS					0	0	0
18								
19	**RECOMMENDED COMMODITY RATES BY METER SIZE**							
20								
21	5/8- INCH							
22	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	ZERO	TO	999,999,999,999,999,000	GALLONS:	$ 7.11	$ 13.13	$ 8.10
23	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	999,999,999,999,999,000	TO	0	GALLONS:	$ -	$ -	$ -
24	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	OVER		0	GALLONS:	$ -	$ -	$ -
25								
26	3/4 - INCH							
27	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	ZERO	TO	0	GALLONS:	$ -	$ -	$ 8.10
28	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	OVER		0	GALLONS:	$ -	$ -	$ -
29	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	OVER		0	GALLONS:	$ -	$ -	$ -
30								
31	1 - INCH							
32	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	ZERO	TO	0	GALLONS:	$ -	$ -	$ 8.10
33	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	OVER		0	GALLONS:	$ -	$ -	$ -
34	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	OVER		0	GALLONS:	$ -	$ -	$ -
35								
36	1 1/2 - INCH							
37	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	ZERO	TO	0	GALLONS:	$ -	$ -	$ 8.10
38	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	OVER		0	GALLONS:	$ -	$ -	$ -
39	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	OVER		0	GALLONS:	$ -	$ -	$ -
40								
41	2 - INCH							
42	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	ZERO	TO	0	GALLONS:	$ -	$ -	$ 8.10
43	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	1	TO	0	GALLONS:	$ -	$ -	$ -
44	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	OVER		0	GALLONS:	$ -	$ -	$ -
45								
46	3 - INCH							
47	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	ZERO	TO	0	GALLONS:	$ -	$ -	$ 8.10
48	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	1	TO	0	GALLONS:	$ -	$ -	$ -
49	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	OVER		0	GALLONS:	$ -	$ -	$ -
50								
51	4 - INCH							
52	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	ZERO	TO	0	GALLONS:	$ -	$ -	$ 8.10
53	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	1	TO	0	GALLONS:	$ -	$ -	$ -
54	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	OVER		0	GALLONS:	$ -	$ -	$ -
55								
56	6 - INCH							
57	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	ZERO	TO	0	GALLONS:	$ -	$ -	$ 8.10
58	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	1	TO	0	GALLONS:	$ -	$ -	$ -
59	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	OVER		0	GALLONS:	$ -	$ -	$ -
60								
61	8 - INCH							
62	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	ZERO	TO	0	GALLONS:	$ -	$ -	$ 8.10
63	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	OVER		0	GALLONS:	$ -	$ -	$ -
64	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	OVER		0	GALLONS:	$ -	$ -	$ -
65								
66	10 - INCH							
67	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	ZERO	TO	0	GALLONS:	$ -	$ -	$ 8.10
68	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	OVER		0	GALLONS:	$ -	$ -	$ -
69	COMMODITY RATE (PER 1,000 GAL. OVER MINIMUM) -	OVER		0	GALLONS:	$ -	$ -	$ -

GOODMAN WATER COMPANY - CONSTRUCTION / STANDPIPE RATE DESIGN
TEST YEAR ENDED DECEMBER 31, 2009
BILLING ANALYSIS

DOCKET NO. W-02500A-10-0382
SCHEDULE TJC RD-3

RUCO RECOMMENDED RATES

LINE NO.	CONSUMPTION IN GALLONS	(A) 5/8 - INCH	(B) 3/4 - INCH	(C) 1 - INCH	(D) 1.5 - INCH	(E) 2 - INCH	(F) 3 - INCH	(G) 4 - INCH	(H) 6 - INCH	(G) 8 - INCH	(H) 10 - INCH
1	0	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
2	1,000	8.10	8.10	8.10	8.10	8.10	8.10	8.10	8.10	8.10	8.10
3	2,000	16.20	16.20	16.20	16.20	16.20	16.20	16.20	16.20	16.20	16.20
4	3,000	24.30	24.30	24.30	24.30	24.30	24.30	24.30	24.30	24.30	24.30
5	4,000	32.40	32.40	32.40	32.40	32.40	32.40	32.40	32.40	32.40	32.40
6	5,000	40.50	40.50	40.50	40.50	40.50	40.50	40.50	40.50	40.50	40.50
7	6,000	48.60	48.60	48.60	48.60	48.60	48.60	48.60	48.60	48.60	48.60
8	7,000	56.70	56.70	56.70	56.70	56.70	56.70	56.70	56.70	56.70	56.70
9	8,000	64.80	64.80	64.80	64.80	64.80	64.80	64.80	64.80	64.80	64.80
10	9,000	72.90	72.90	72.90	72.90	72.90	72.90	72.90	72.90	72.90	72.90
11	10,000	81.00	81.00	81.00	81.00	81.00	81.00	81.00	81.00	81.00	81.00
12	15,000	121.50	121.50	121.50	121.50	121.50	121.50	121.50	121.50	121.50	121.50
13	20,000	162.00	162.00	162.00	162.00	162.00	162.00	162.00	162.00	162.00	162.00
14	25,000	202.50	202.50	202.50	202.50	202.50	202.50	202.50	202.50	202.50	202.50
15	50,000	405.00	405.00	405.00	405.00	405.00	405.00	405.00	405.00	405.00	405.00
16	75,000	607.50	607.50	607.50	607.50	607.50	607.50	607.50	607.50	607.50	607.50
17	100,000	810.00	810.00	810.00	810.00	810.00	810.00	810.00	810.00	810.00	810.00
18	125,000	1,012.50	1,012.50	1,012.50	1,012.50	1,012.50	1,012.50	1,012.50	1,012.50	1,012.50	1,012.50
19	150,000	1,215.00	1,215.00	1,215.00	1,215.00	1,215.00	1,215.00	1,215.00	1,215.00	1,215.00	1,215.00
20	175,000	1,417.50	1,417.50	1,417.50	1,417.50	1,417.50	1,417.50	1,417.50	1,417.50	1,417.50	1,417.50
21	200,000	1,620.00	1,620.00	1,620.00	1,620.00	1,620.00	1,620.00	1,620.00	1,620.00	1,620.00	1,620.00
22	250,000	2,025.00	2,025.00	2,025.00	2,025.00	2,025.00	2,025.00	2,025.00	2,025.00	2,025.00	2,025.00
23	500,000	4,050.00	4,050.00	4,050.00	4,050.00	4,050.00	4,050.00	4,050.00	4,050.00	4,050.00	4,050.00
24	1,000,000	8,100.00	8,100.00	8,100.00	8,100.00	8,100.00	8,100.00	8,100.00	8,100.00	8,100.00	8,100.00
25	2,000,000	16,200.00	16,200.00	16,200.00	16,200.00	16,200.00	16,200.00	16,200.00	16,200.00	16,200.00	16,200.00
26	3,000,000	24,300.00	24,300.00	24,300.00	24,300.00	24,300.00	24,300.00	24,300.00	24,300.00	24,300.00	24,300.00
27	4,000,000	32,400.00	32,400.00	32,400.00	32,400.00	32,400.00	32,400.00	32,400.00	32,400.00	32,400.00	32,400.00
28	5,000,000	40,500.00	40,500.00	40,500.00	40,500.00	40,500.00	40,500.00	40,500.00	40,500.00	40,500.00	40,500.00
29											
30											
31	AVG. NO. OF CUST:	1	0	0	0	0	0	0	0	0	0
32											
33	AVG. USE (GAL.):	40,500	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
34	MONTHLY BILL:	$328.05	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
35											
36	MEDIAN USE (GAL.) :	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
37	MONTHLY BILL:	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!